

Fighting Rages Through Beirut; 10 Feared Dead

BEIRUT, April 15 (UPI)—An guerrilla and right-wing forces battled through Beirut today with machine guns for the third day as the government continued efforts to restore order.

There were no official casualty figures today, but a spokesman said that at least nine were killed and more than 200 injured in the last three days.

Mr. Solh's government is already without two cabinet ministers, who resigned yesterday to protest what they called the government's inaction. A third minister threatened to quit unless Mr. Solh proved that he could cope with the crisis.

Two bomb blasts after dark damaged buildings off Beirut's Hamra shopping district as the violence moved to the area where most foreigners live. A bomb wrecked a clothing store a block away from the U.S. Embassy's cultural center and another the office of a prominent right-wing politician and former president, Camille Chamoun.

Telephone and water lines were cut in several parts of the city. Parts of Beirut were war zones, deserted of all but groups of armed men shooting at one another.

A thick black column of smoke rose from a bombed gasoline filling station near the port area. Access to the area was blocked by internal security forces on some streets and armed Phalangists on others.

Worst in 2 Years
The fighting was the worst in two years since Palestinian guerrillas fought the Lebanese Army. The heaviest fighting raged in areas adjacent to the big Palestinian refugee camps of Chatila and Sabra and Tel Zaatar on the city's outskirts.

Groups of men armed with automatic guns and grenade launchers were running from corner to corner, firing their weapons. Several jeeps of heavily armed Palestinian guerrillas were seen heading toward the city center.

seven Phalangists whose arrest had been demanded by the Palestinians as a condition for ending the fighting.

The two were among those who allegedly attacked a Palestinian bus Sunday during Palestinian-Phalangist fighting in a Phalangist suburb. The attack on the bus reportedly killed 27 Palestinians.

Mr. Gemayel said he surrendered the two "as an example" to show that his party wanted peace. However, there was no immediate indication from Palestinian leaders that they would settle for the arrest of just two persons.

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CLINGING TO HOPE—Refugees hanging from the back end of a giant Chinook helicopter that was taking off after bringing in supplies to Saigon forces near Xuan Loc.

No Plans for Another Meeting Energy Conference in Paris Ends With Total Deadlock

By James Goldsborough

PARIS, April 15 (UPI)—The preparatory energy meeting between industrialized and developing nations collapsed tonight, adjourning in total deadlock after nine days.

The 10 delegations meeting here to try to work out an agreement between oil producers and consumers broke up over the question of setting an agenda for a full conference, to have been held this summer.

The delegations could not agree on whether the full conference should be expanded to include discussion of other raw materials, including foodstuffs, as had been urged by the seven developing nations present.

During the day, Charles Robinson, U.S. under secretary of state, returned to Washington when it became apparent the deadlock could not be broken. "We came here for an energy conference," said the U.S. delegation spokesman, Robert Levine. "We are ready to talk about other products in other forums."

Developing Nations
Iran, speaking for the developing nations at the conference, the others were Saudi Arabia, Venezuela, Algeria, Brazil, Zaire and India gave their point of view in a statement.

"We cannot carry out any meaningful dialogue in the final conference unless it includes as one of the central issues of discussion the question of protection of petroleum prices by linking it to certain objective criteria, including the price of goods imported by oil-exporting countries."

As the conference broke up, with members promising to continue contacts with a view toward fixing future meetings, it was apparent that a total split had developed between the seven developing nations and the three industrialized delegations, Japan, the United States and the European Community, over the subject of including other raw materials in the future conference.

Hopes Ended
The failure meant that all hopes for establishing oil guarantees to prevent future price fluctuations or embargoes were ended for the present. This had been the first meeting between oil producers and consumers since oil prices quadrupled following the October 1973 Middle East war, and hopes were strong for laying the groundwork for an oil agreement.

The developing nations showed little inclination to compromise on their demand that other raw materials be included. "Other raw-material exporting countries," said the Iranian statement tonight, "should be protected as regards the prices and earnings of their exports."

Among the developing countries, Algeria, in particular, had thrown a scare into the other delegations from the opening meeting last Monday, by using the meeting to launch an attack on the industrialized world.

"You think you are the navel of the world," the Algerian delegation chief, Ali Challel, remarked at the conference during the weekend, referring to the industrialized nations.

The developing nations insisted today that they were not responsible for the rupture. They introduced a seven-point agenda (Continued on Page 2, Col. 4)

Rebels Within 1 1/2 Miles Of Phnom Penh's Edge

Red Artillery Shells Base Near Saigon

SAIGON, April 15 (UPI)—Communist gunners shelled South Vietnam's largest fighter air base with long-range artillery today and there were indications that the North Vietnamese are moving three more divisions into the battle for Saigon.

Western officials said the use of heavy artillery rather than rockets or mortars to shell the air base at Bien Hoa, 15 miles from Saigon, was an ominous development, for it indicated that the North Vietnamese felt confident enough to move their heavy artillery close to the capital despite the high risk of detection.

It was believed to be the first time Bien Hoa, a city of 300,000, had been hit by artillery.

Twenty-nine persons were wounded at the air base early today when an ammunition dump exploded. Military sources said it was unclear whether the explosion, which was felt in Saigon, had been caused by the shelling or by Communist commandos.

Drive Seems Blunted
Western intelligence analysts said the South Vietnamese appeared to have blunted, at least temporarily, the Communist drive for Saigon. But as a consequence of the government's successful defense over the last week at Xuan Loc, 36 miles northeast of Saigon, and along Route 4 south of the capital, the North Vietnamese were bringing up reinforcements.

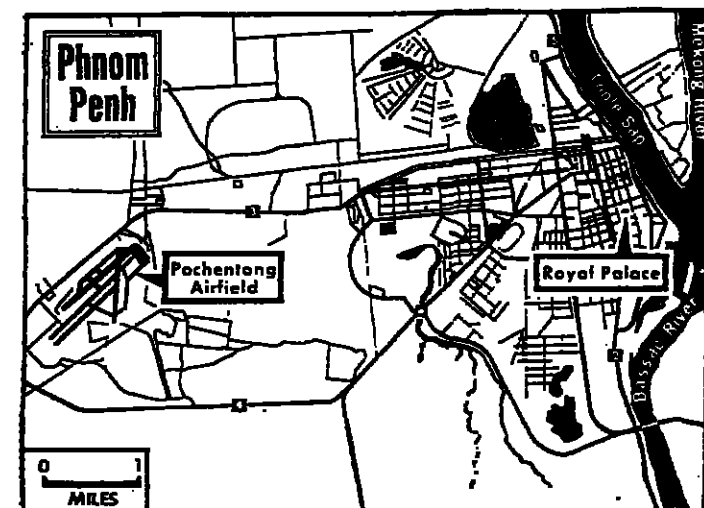
According to intelligence reports, parts of the 35th North Vietnamese Division have begun to reach the battle around Xuan Loc, joining three other North Vietnamese divisions there.

Other reports suggested that the Communists were also moving the 10th and the 30th North Vietnamese Divisions down from areas in the northern part of the country that they seized in the last five weeks.

The introduction of the three divisions would give the Communists a clear numerical edge in the battle for Saigon, analysts believe. If they were all to concentrate at Xuan Loc, for example, the government currently has only an infantry division and a brigade of paratroopers to oppose them.

Last reports tonight indicated that the Xuan Loc battle was a standoff. Xuan Loc is the first significant place government troops have shown willingness to fight after giving up the northern three-fourths of the country without a fight.

Banners praising the stand of government forces at Xuan Loc and in Mekong Delta regions fluttered in the wind in edgy Saigon.



Communist-led insurgents were attacking city yesterday.

New Premier His Ally

Thieu Picks 'Unity' Cabinet; Opposition Is Unrepresented

By Fox Butterfield

SAIGON, April 15 (UPI)—President Nguyen Van Thieu announced a new cabinet yesterday, but there was mounting evidence that his government was virtually paralyzed.

Mr. Thieu described the new Cabinet as a "war government of unity." But it does not include any members of the now broad opposition to Mr. Thieu, and newly appointed Premier Nguyen Ba Can has been distinguished chiefly for his loyalty to President Thieu.

The most important result of the cabinet reshuffle seemed to be that Mr. Thieu succeeded in ousting the former premier, Gen. Tran Thien Kiem, the only man in the government who was a real rival to the President.

Mr. Can, the new Premier, is a civilian associated with the Vietnamese labor movement and is considered a bland, powerless man. Several knowledgeable Vietnamese officials expressed pessimism that he could revive

morale in the Saigon administration, which has been thrown into confusion by the Communist take-over of the northern two-thirds of the country in the last five weeks.

Some government officials have virtually stopped working, the officials reported, while others have proceeded as if there were no crisis.

Business as Usual
An officer who works with the deputy premier for economic development said he had been ordered to spend his time "processing plans to build a new duty-free shop at Tan Son Nhut Air-Port."

Another said he had been told to mail letters chastising officials in Danang who had left their posts when the city was abandoned to the Communists without a fight on March 30. Out of bureaucratic habit, the official said, the letters have been simply posted to Danang.

"It is hopeless, no one is doing anything, and they don't realize how critical the situation is," a young American-trained economist said.

"I suggested we have general mobilization," he continued, "and draft all the young men who sit around Saigon's coffee shops, and force the rich to contribute money so we can buy more ammunition and guns from the United States. But everyone in the office was shocked. They warned me that the rich people would hire someone to kill me if I tried that."

The American, French and Canadian Embassies here have been jammed for two weeks with rich Vietnamese trying to obtain (Continued on Page 2, Col. 2)

Government Abandons Outer Posts

By Sydney H. Schanberg

PHNOM PENH, April 15 (UPI)—The Cambodian insurgents were closing in on this capital from almost all sides today as the desperate military government moved frantically to try to halt their advance, abandoning posts all around the capital's outer perimeter to rush the troops to the defense of Phnom Penh itself.

For the second straight day, frightened refugees by the thousands streamed toward the city, already swollen to more than 2 million people.

The Communist-led insurgents, now less than 1 1/2 miles from the city's edge at one point, were driving on the capital from all directions—from the north along Highway 5, from the north-west across the marshy plain, from the west where the airport has been virtually cut off and from the south and southeast where government troops were reported abandoning their positions en masse.

South of the city, one unit saved itself by jumping into the Bassac River and swimming across to its western bank.

Communication Cut
[At this point, communication was interrupted with Mr. Schanberg, one of four foreign newsmen who decided to remain in Phnom Penh.]

About 50 foreigners and Cambodians who worked for U.S. agencies are trapped inside the city. United Press International reported, quoting a Saigon-based newsmen who flew over the Cambodian capital and talked with Mr. Schanberg on the ground by radio.

[Mr. Schanberg said French Embassy officials had agreed to allow an evacuation helicopter to use its front courtyard for a mercy flight, UPI reported. There was no indication that a helicopter could be found for the mission.]

[In addition to Mr. Schanberg, American free lance Al Rockoff and British correspondent John Swain of the Sunday Times of London have chosen to stay, Mr. Schanberg said. He did not identify the fourth man.]

[Mr. Schanberg filed the following report from Phnom Penh yesterday:]

Final Battle?
The insurgents, in a sudden large-scale attack, drove to the edge of Phnom Penh Monday, pushing thousands of refugees from the outskirts into the city. It appeared that the final battle for the capital had begun.

The insurgents, despite heavy bombing by the government air (Continued on Page 2, Col. 1)



Chancellor of the Exchequer Denis Healey with dispatch box leaving to present budget.

Public Spending to Be Cut

British Get Stiff New Tax Increase

By Richard Eder

LONDON, April 15 (UPI)—British government announced today a broadly distributed increase in taxes and a promise to cut public spending in a bid to curb Britain's inflation and revive her economy.

Mr. Healey presented a drastic picture of a self-indulgent Britain lurching into deepening excesses and financing them by inflation and borrowing. He went back to the famous series of engravings by Hogarth depicting a man wrecked by debauchery.

"A rake's progress of this nature could not last for long," he said. "The patience of our creditors would soon be exhausted. We would then face the appalling prospect of going down in a matter of weeks to the levels of public services and personal living standards which we would finance entirely from what we earned. I do not believe that our political or social system could stand the strain."

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of the labor unions that are one of the party's main bulwarks. He drew a gloomy picture of the country's current economic performance, noting that the national product had declined by 4 per cent, that the balance of payments was so bad that 5 pence out of every pound spent in Britain had to come from foreign loans, and that inflation was close to 20 per cent a year.

He identified wage rises—averaging nearly 30 per cent—as the main culprit. He acknowledged that his budget message was a "hard" one, but said that the harshness was needed to tackle inflation.

"The situation would be very different if through improvements in productivity and moderation in pay negotiations we could substantially reduce our inflation rate," he declared. "With lower wage settlements and a consequential improvement in the balance of payments we could have the same standard of living with lower prices, lower taxes and more jobs."

He carried his challenge to the unions further by warning that his decision to restrict (Continued on Page 2, Col. 4)

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VW to Cut Staff by a Fifth as Exports Slump

By John M. Goshko

BOON, April 15 (UPI)—Volkswagen, Europe's largest automobile manufacturer, announced today that the sharp decline of its export sales to the United States is forcing it to cut its labor force by 25,000 employees.

This marks the biggest retrenchment by a major West German company since the country's industries entered the post-war boom period known as "the German economic miracle."

The cutback could have explosive political consequences for Chancellor Helmut Schmidt's government. His Social Democratic party has suffered repeated setbacks in state elections during recent months because of fears about the economic recession. It has been hoping to reap the benefit of a recent drop in the West German unemployment rate of more than a million.

Election Next Month
In particular, the government had been counting on this trend in the elections next month in North Rhine-Westphalia, the country's biggest and most heavily industrialized state. Unemployment is the principal issue in the election, and the new uncertainty unleashed by Volkswagen's action could nullify the government's statements about the effectiveness of its efforts to restimulate the economy.

The cutback represents a fifth of Volkswagen's 133,000 employ-



Toni Schmuecker (right), chairman of the board of directors of Volkswagen, announcing company's plans.

ees. Volkswagen's boss, Toni Schmuecker, said the firm would try to achieve as much of its cutback goal as possible through attrition.

"Dismissals will be made only to the extent required to achieve the total cutback," Mr. Schmuecker said at a news conference at Volkswagen headquarters in Wolfsburg. He added that there were hopes that a substantial number of workers will take advantage of early retirement or an offer of special severance bonuses to those who quit voluntarily.

Still, most economic experts believe that the financially ailing

firm will ultimately have to resort to mass layoffs to meet its target. The cutbacks also are expected to have a big ripple effect that will see many of the approximately 6,000 firms that supply Volkswagen with goods and services forced to compensate for lost business through dismissals of their own employees.

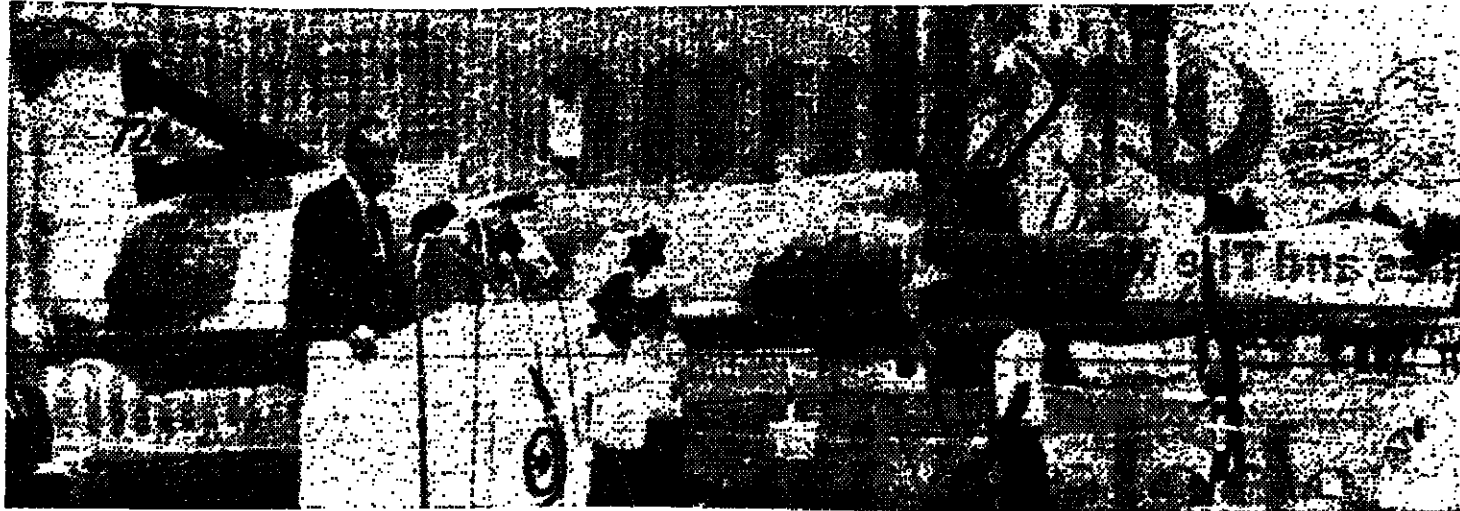
Mr. Schmuecker, who took over as managing director Jan. 10 with a mandate to arrest the losses of the state-controlled firm, said the blame was due primarily to drastically declining export sales, particularly in the United States, where sales dropped by 30 per cent last year.

For years, Volkswagen's success in conquering foreign markets like the United States had made it the symbol of West Germany's economic resurgence. Depending on possible gauges used, the company is the third or fourth largest auto manufacturer in the world. Until last year, when its sales and production began slumping so heavily, it was the biggest industrial enterprise in West Germany.

Its present problems are due to a number of factors, including competition from American and Japanese cars, the general stagnation that has overtaken automobile sales, and, most important, the currency realignments that have raised the value of the West German mark.

Mr. Schmuecker's long-range plans for the company call for reduced production and a greater emphasis on the domestic German market. He said that the firm hopes in the months just ahead to reduce its current dependence on export sales from 70 per cent to 60 per cent.

His plans for a labor cutback were approved yesterday at a closed-door meeting of the 21-member supervisory board. It is known that the seven labor union representatives opposed the move strenuously. Although the company is partly owned by private stockholders, the majority of its voting shares are controlled by the West German federal government and the state of Lower Saxony, where its main plants are located.



NEW ISRAELI FIGHTER—Premier Yitzhak Rabin unveiling the Kfir (Lion Cub), a tactical fighter developed and manufactured in Israel. The delta-wing craft flies at twice the speed of sound and compares with latest MIGs.

Despite U.S., British Proposals

France Opposing U.S.-Europe Summit

By James Goldsborough

PARIS, April 15 (UPI)—President Valéry Giscard d'Estaing is against holding a Europe-America summit meeting next month, officials said here today.

The summit idea, launched by the British last month, was repeated by President Ford in his State of the World message last week. "I therefore expect to join with the other leaders of the Atlantic alliance at a Western summit in the very near future," he said.

The summit meeting would have been held in Brussels next month during the summer meeting of the North Atlantic Treaty Organization Council, and would have been a prelude to the 36-nation security-conference summit meeting likely to be held in July in Helsinki.

Speaking of the Western summit, Mr. Ford said, "It is time to take stock, to consult on our future, to affirm once again our cohesion and our common destiny." The Western summit would have confirmed Western solidarity before entering the wider summit with the Warsaw Pact nations and others of the 35.

French Statement

According to a French statement today, "France does not see the usefulness of an Atlantic summit. Present pressing problems such as Vietnam and the Middle East are not related to the alliance and questions proper to NATO were dealt with last June during the NATO ministerial meeting in Ottawa."

Officials here said that the French declaration was a denial of a column by Rowland Evans and Robert Novak appearing in The Washington Post yesterday, which said that Mr. Giscard d'Estaing "may break French policy of the last decade by attending a NATO summit meeting late in May." The French regard the column as officially inspired in Washington.

There was some speculation

Phnom Penh Endangered

(Continued from Page 1)

force, pushed to within less than a mile of Pochentong Airport, which was closed to civilian traffic.

Single-engine bombers tried to stop the insurgent advance a half mile or so north of the road linking the airport with the city five miles away. The planes flew in low, trying to drop their bombs precisely on target.

The explosions and black clouds of smoke formed a backdrop for a steady stream of refugees fleeing out of the dirt side roads and jamming the main road into the city. A number of soldiers were fleeing with them.

The refugees said they had not seen the insurgents but had fled as the shelling and bombing came closer to them. There were unconfirmed reports that insurgent infiltrators, some in uniform, had actually entered the city.

Government lines had not crumbled, but some soldiers were clearly giving up.

At least one pilot was among them. A few minutes after 10 a.m., a T-28 fighter-bomber dropped over the headquarters of the military in the center of the capital and dropped two bombs directly on it. The bombs fell on a transport office, killing at least seven persons and wounding many others.

The pilot, later identified by the government as Capt. Khieu Yov Sarath, presumably flew off to land in insurgent territory.

Sihanouk, Reds in Accord

PARIS, April 15 (UPI)—Exiled Cambodian leader Prince Norodom Sihanouk may return to his role as head of state after the expected fall of Phnom Penh, but any new government would be directed by Communist chief Khieu Samphan, a spokesman for the prince announced today. Sihanouk said he himself would assume the role of a figurehead.

The announcement was issued in Peking, sent of the royal government-in-exile, by Sihanouk's chief of staff. It was read over the telephone to Radio France and broadcast here.

The announcement indicated that an agreement had been reached between the neutralist Sihanouk and the Communist-led Khmer Rouge insurgents on governing Cambodia.

The statement also rejected a U.S. request, according to Sihanouk, that the prince relocate full powers in Cambodia and obtain a cease-fire from the Khmer Rouge.

that the sharp French refusal was not unrelated to the failure of the energy conference in progress here, where industrial and developing countries have been unable to agree.

But if other NATO countries have not shown the same negativity as France toward the summit, neither has there been a wave of enthusiasm in Brussels for the British-American idea, particularly in light of present alliance problems in Turkey, Greece and Portugal.

Chirac Won't Go Either

Even the possibility that Mr. Giscard d'Estaing might designate Prime Minister Jacques Chirac to attend the Brussels summit was ruled out here. Officials said that Mr. Chirac's trip to

Brussels last year to sign the Ottawa declaration was sufficient.

The French see a NATO summit meeting at this time as something that could be embarrassing for Mr. Giscard d'Estaing when he is under constant attack from the French Communist party for already having improved French relations with NATO.

Nor do the French appear to want to provoke the Soviet Union by attending a NATO summit just prior to the security conference. The Russians dealt the French opposition a rude blow last week when they abruptly canceled the trip of Socialist party leader François Mitterrand to Moscow, a snub much appreciated by the government here.

Time Magazine said in its latest issue that the gold mostly belongs to South Vietnamese President Nguyen Van Thieu and party self-exiled Cambodian President Lon Nol.

WASHINGTON, April 15 (AP)—The Ford administration, pleading for the \$722 million in military aid the President has requested for South Vietnam, told Congress today that 300,000 South Vietnamese would be killed in a bloodbath if the country fell—and the toll could go to a million.

Defense Secretary James Schlesinger made the prediction to the House Armed Services Committee, saying that nearly half of Mr. Ford's aid request was needed to reconstitute four of six divisions that collapsed during South Vietnam's retreat.

Mr. Schlesinger said that Mr. Ford had the "fullest power" to evacuate Americans from South Vietnam—but needed authority from Congress to use military forces to evacuate "up to some hundreds of thousands of South Vietnamese."

Meanwhile, the Senate Foreign Relations Committee tentatively agreed today on a \$300-million humanitarian aid authorization for South Vietnam. The chairman, Sen. John Sparkman, D-Ala., said the money could be used also for military assistance if required to protect withdrawal of Americans in an emergency.

Sen. Sparkman said the committee would consult with administration officials on the tentative draft and meet again late tomorrow to take formal action.

The committee agreement followed acknowledgement by Secretary of State Henry Kissinger that the U.S. Embassy in Saigon had been instructed to reduce the number of Americans in South Vietnam to an essential minimum.

Sen. Hubert Humphrey, D-Minn., said the withdrawal of Americans was going "very well" but the committee wanted to see assurance that the plan was working before taking final action.

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Training for Criminal Cases

S. Revenue Service Tested Agents With Liquor, Women

By Nicholas M. Horrock

WASHINGTON, April 15 (UPI)—The Internal Revenue Service operated a secret school to train undercover agents in which they were tested with liquor and women to see if they could resist temptation without losing their identities.

Periodic classes were conducted at two naval bases and in several cities. The liquor was paid for by the government, according to the agents, and the women were federal employees. The program was called "stress seminars" and IRS chiefs.

In response to an inquiry, an IRS spokesman confirmed the existence of the classes and one agent in which an agent, arrested by the Maryland State Police, was paid for the classes.

The spokesman said that classes were begun in 1962 and ended in January, 1973, but the records on the program were not available.

However, former highly placed officials said the "stress seminar" was on, in one way or another, until 1969 and probably longer.

When several law-enforcement officials in other agencies recently questioned its value, the IRS said it was "laughable."

"I've got to teach an agent to drink and to program not to talk when he's drunk, not undercover material," an IRS chief said. He found the idea of a "stress seminar" to be disclosure of the classes occurred at a time when the IRS was under investigation by a congressional committee.

The IRS is looking into the use of electronic surveillance techniques and the preparation of political dossiers.

US Commissioner Donald Anderson said last week that he would be subjected to a thorough investigation.

He said he was "totally incoherent," a source familiar with the incident said. "It was hours before he could be questioned. When he was finally able to understand questions, he refused to give the police his identity."

Under a contract with a company called U.S. Nuclear Corp. of Oak Ridge, Tenn., the United States has sent 97 pounds of highly enriched uranium to South Africa over the last year.

A balance of 28 pounds of the same type of uranium is due to be delivered to South Africa under terms of the same contract.

Safeguards Accepted
In confirming that the uranium shipments were authorized to South Africa, the Nuclear Regulatory Commission said that the sales were approved only after South Africa agreed to safeguards that would prohibit the diversion of the uranium out of the research reactor.

The amount of uranium already shipped to South Africa would be enough for seven nuclear weapons, according to disarmament experts. With the 28 pounds owed South Africa under contract, it could make two more.

Technical Skill
"South Africa has the fear to want to build a bomb and it has the technical skill to be able to build a bomb," said Rep. Les Aspin, D-Wis., who broke the news that the U.S. government had authorized the uranium shipment to South Africa. "All it needs is weapons-grade uranium and the U.S. government is now supplying that," he said.

Weapons-grade uranium is that form of the metal that contains 80 per cent or more of uranium-235, the isotope that undergoes nuclear fission and creates a chain reaction. The normal nuclear power fuel is enriched with no more than 3 to 6 per cent of uranium-235, just enough to produce some fissioning, but nowhere near enough for a nuclear explosion.

The uranium shipped and still owed to South Africa is 93.3 per cent uranium-235, making it the "highly enriched" uranium prized for weapons. It is used in research reactors because it produces a high power level for more types of study into nuclear physics.

14 Pounds a Bomb
Experts disagree on how much weapons-grade uranium is needed to make a bomb, but most say that 14 pounds of the metal is enough to fashion a small weapon. South Africa has never signed a non-proliferation treaty prohibiting the spread of nuclear weapons. The industrialized nations that have not signed the treaty have not signed it for many reasons, one of which is to leave themselves the option of developing their own atomic weapons.

There's no way we can exercise effective control over the use of South Africa makes of that uranium," said Rep. Aspin, who called for a halt to the uranium shipments. "If they want a bomb, we've given them a bomb," he said.

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COMING OUT—Ten of 293 former Nationalist Chinese officials released by Peking in March crossed into Hong Kong from China Monday on their way to Formosa. Identified, from left, Wang Ping-yueh, a former

Lieutenant general; Chang Tieh-shih, a former colonel; Chou Yang-hao, a former major general; Tsai Hsing-san, a former major general, and Chen Shih-chang, a former Lieutenant general. They have return tickets.

With Safeguard Agreement

U.S. Shipped South Africa Enough U-235 for 7 A-Bombs

By Thomas O'Toole

WASHINGTON, April 15 (UPI)—The United States has shipped enough weapons-grade uranium for seven atomic bombs to South Africa, a nation that disarmament experts believe has the means to make and test a nuclear weapon.

Under a contract with a company called U.S. Nuclear Corp. of Oak Ridge, Tenn., the United States has sent 97 pounds of highly enriched uranium to South Africa over the last year.

A balance of 28 pounds of the same type of uranium is due to be delivered to South Africa under terms of the same contract.

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Miami Airlines Start 'No Frills' Discount Runs

MIAMI, April 15 (UPI)—Miami airline passengers showed up yesterday with their own sandwiches as four airlines operating out of here began a "no frills" discount air service, Monday through Thursday.

The service permits passengers to fly for 35 per cent less, without free food and drinks. The opening day brought crowds of the budget-conscious and curious to Miami airport.

"They brought along butter cookies and bananas and everything," a stewardess on an early-morning flight said.

Province Vote Boosts Status Of Mrs. Peron

By Jonathan Kandell

BUENOS AIRES, April 15 (UPI)—President Isabel Peron has received a sorely needed political boost from elections in the province of Misiones.

Conservative Peronists won easily over 10 other states in the voting for governor and deputy governor and captured half of the 32 local legislative posts in Sunday's voting in the small northeastern province.

Even more important, a breakaway coalition of guerrilla-backed leftists, who have disputed the President's claim to leadership of the Peronist movement, ran a poor third.

The conservative Peronists won 74,326 votes, or 46 per cent. The Radical Civic Union, a moderate party, took 38 per cent of the vote and the left-wing Peronist coalition got only 9 per cent among the province's 500,000 inhabitants.

"The victory belongs to the President," who has shown that "she is the sole and legitimate heir of Peron and Eva Peron," said Domingo Vasquez, a conservative Peronist who has been interim governor since the death of the elected governor in a plane crash last year.

Mrs. Peron was elected President last July after the death of her husband, President Juan Peron, whose first wife, Eva, was a rallying symbol for Peronists.

Conservative Peronists pointed out that they did better than expected considering that the agriculturally oriented province has few urban workers, who traditionally have been the backbone of the Peronist movement.

Political commentators noted that the election could indicate a trend toward a two-party system. The government party and the Radical Civic Union took almost 85 per cent of the vote, an unusually high showing in a country where elections have been characterized by fragmented voting for a large number of parties.

The fact that the election was free of violence also gave heart to moderates. More than 300 people have died in political violence in Argentina since Mrs. Peron was elected President last year.

Athens and Hanoi Set Up Relations

ATHENS, April 15 (UPI)—Greece has announced it is establishing diplomatic relations with North Vietnam and accrediting an ambassador to Hanoi.

In a statement, the government said it took the steps as part of a re-examination of the country's foreign policy and the need for better representation in Asia.

It said the Greek and North Vietnamese ambassadors in Peking signed a document today announcing the exchange of envoys. In a communiqué signed in Moscow, the Greek and Mongolian ambassadors said the Greek envoy to Moscow will be accredited to Ulan Bator and the Mongolian ambassador to Belgrade will be accredited to Athens.

East, West Germans Discuss Berlin Links
BERLIN, April 15 (Reuters)—East and West German officials today opened negotiations here to improve rail links between West Germany and East Berlin.

The talks are part of a package of cooperation projects agreed on last December. Similar talks on improving road links to West Berlin across East German territory began two weeks ago.

Japanese Local Voting Shows Check of Recent Drift to Left

By Richard Halloran

TOKYO, April 15 (UPI)—Nearly complete returns from Japan's local elections pointed to a moderate swing to the political right to the left in recent years.

The outcome also showed, however, that the ruling Liberal Democrats, whose conservative party has its power base in rural Japan, are still weak in the large cities, which hold the vast majority of the Japanese population.

Even so, the election results were a modest gain for Premier Takeo Miki and indicated that his hold on the party, and therefore his office, had been strengthened. Mr. Miki came to office last December after the ouster of Premier Kakuei Tanaka, under whom the Liberal Democrats had suffered two serious setbacks in parliamentary elections.

Of the 17 governors' offices and three mayors' positions up for election in the latest voting, the conservatives won 12 governorships and one mayoralty. The leftists took three governorships and two mayoralties, with an independent and a jointly-supported candidate winning the two other gubernatorial races.

The ruling party's victories were almost all in outlying areas except for Chiba Prefecture, or state, a residential suburb of Tokyo. The one city they took was Sapporo, on the northern island of Hokkaido.

In contrast, the leftists won in Tokyo and Osaka, both of which are governed as prefectures, and in Kanagawa Prefecture on Tokyo's southern edge. In Kanagawa, the left won for the first time. The leftists also elected mayors in Kawasaki and Yokohama, the two industrial cities down the bay from Tokyo.

Overall, the returns seemed to reflect the basic conservatism of the Japanese, the splits and quarrels within the opposition parties and the economic problems, such as inflation, that have plagued Japan. Even though such problems are not reflected in the results of Sunday's voting, other press commentary was similar.

Mr. Stoltenberg's Christian Democrats lost three seats in the state parliament and will have to rule the legislature in Kiel with only a one-vote edge. It marked the first time in more than a year that the opposition's victory train has been slowed in state elections preceding next year's federal balloting.

Mr. Stoltenberg, a former federal minister for science and research, is minister-president—governor—of West Germany's northernmost state. His party's spokesman on economic affairs, Mr. Stoltenberg is competing with party chairman Helmut Kohl and Bavarian leader Franz Josef Strauss for the CDU nomination for chancellor in 1976.

Two-Thirds Catholics
Both Mr. Kohl and Mr. Strauss are Catholics, as are almost two-thirds of the membership of their party, and both emerged as big winners in recent state elections. The only gainer in the Schleswig-Holstein election was the small Free Democratic party, which won its way back into the state parliament by passing the 5-per-cent hurdle in the total vote, going from 3.8 per cent in 1971 to 7.1 per cent. It won five seats.

The Social Democrats, the FDP's partner and the major party in the federal coalition government, lost votes in Schleswig-Holstein and now have 30 seats, a drop of two, in the state parliament.

Under French law, the court can only advise the government on whether to accept or reject the extradition request. But the government customarily accepts the advice of the court in cases where extradition is denied.

The two were arrested in January, 1975. They have been held in custody since then and face trial on charges of using false identity papers.

Western Europe Agrees to Launch New Space Unit
BRUSSELS, April 15 (Reuters)—Officials of 10 Western European nations today set up a new space agency that is expected to spend almost \$2 billion during the next five years to develop technology.

The agreement on the European Space Agency, which will be launched formally in Paris next month, should strengthen Europe's position in the fields particularly as a maker of communications satellite systems, the agency's top official said after a ministerial conference here.

Director-General Roy Gibson, of Britain, said that one of ESA's first actions will be to invite potential buyers from around the world to an exhibition in Paris on May 27 of all its projects under development.

"We shall try to demonstrate our competence in the technology involved," he said.

The agency replaces the European Space Research Organization and the European Launcher Development Organization. Its members are Belgium, Britain, Denmark, France, West Germany, The Netherlands, Spain, Sweden and Switzerland.

Yugoslav Leader Home
MOSCOW, April 15 (UPI)—Yugoslav Premier Dragoljub Djindjic flew to Belgrade from Kiev today after a seven-day visit to the Soviet Union, Tass said.

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The Portuguese Way

As Portugal moves closer to the anniversary of its revolution and the vote that once was to crown it, the omens are grim. Nevertheless, there is an engaging ingenueness about the present (and probably future) military rulers of that country. They are, they (or their spokesmen) say, Socialists. They insist upon a socialist nation. But just which of the numerous brands of socialism will be imposed upon the land, no one seems to know.

The military argue, with justice, that the Portuguese people, in whose name and for whose presumed benefit the High Council of the Revolution is acting, are not prepared for a free political process. The many years of the Salazar authoritarian regime was, in fact, no school of democracy. To choose among a number of parties representing fine shades of a whole political spectrum would be far from easy. But are the armed forces in better intellectual shape for such a task?

To be sure, the latter do have a tradition of what might be called organic discipline, as opposed to the more generalized kind under which the Portuguese people as a whole remained for about two generations. They would, therefore, presumably be in a position to keep free assembly within the bounds of freedom, and prevent, say, Socialists from beating up Communists or vice versa. They could guard Portugal while it discovered its own talents for self-government and adopted a constitution that satisfied the majority and protected minorities.

But the High Council does not have confidence in this process, and does, apparently, believe that it can decide not only whether a given party is abusing the rights of others, but what parties can participate in politics, and what their goals should be. Evidently, the officers do not really believe in popular sovereignty, but in military sovereignty.

That this may result in the transmutation of the dictatorship of the Salazar kind into dictatorship of a Leninist kind seems quite likely, with profound effects not only upon Portugal but upon Western Europe. The intellectual mechanisms by which generals and admirals arrive at such a conclusion would be interesting to know; what can be charged against the revolution, however, is the mechanism by which a "liberated" Portugal does so. The limitations on the parties during the pre-election period, the limitations on what the constituent assembly can do, the still unlimited power which the military assert—all of these conditions lead to the pertinent question whether, in terms of asserting a genuine popular will, the revolution really accomplished anything.

Nations have taken many diverse roads into their future, and traversed them with stumblings, backsliding and a fall or two. The Portuguese way has its own characteristics. But there is little evidence that the military guides and shepherds of the people really know where they are going—the only thing that seems clear is that they will insist upon everyone following their route.

Who Is the Enemy?

As flames lit the skies over Phnom Penh, the most urgent question was not who would win the battle for Cambodia's capital, but what the victors would do with their victory. And crucial to that was who the victors really were. Did they represent the traditional heir of Cambodia's royal tradition, Prince Sihanouk? Were they indigenous nationalists or controlled by Hanoi? Or by Peking? And the obscure line between friend and foe that characterizes so much of today's confused politics was, at the same time that Phnom Penh was falling, exemplified in faraway Lebanon, with fatal clashes between that nation's Phalange movement and the Palestine guerrillas.

For these were Arabs, fighting one another in an Arab state. At issue was not, as Westerners almost always assume to be the case, anywhere in the Middle East, the fate of Israel (although that was entwined in the conflict) but a struggle which is of older date in Lebanon: The precarious balance of power there between Christians and Moslems.

This, like the common Western assumption that all in the Middle East turns on the confrontation of Jews and Arabs, is also an over-simplification. Politics in Lebanon have their own complexities, like those of any other community, and even within the religious differentiations of Christian and Moslem lie many variations of faith and culture, many sects and many contending interests.

Nevertheless, since it won independence in 1946, Lebanon has been torn by a major split which takes on religious coloration. Largely, the Christians have turned toward the West, the Moslems toward their Arab

cousins. In the Israeli wars this division led Lebanon into an Arab stand, but a moderate one. And the fact that the Palestinian refugees have fought Israel from Lebanese bases, provoking Israeli retaliations, has been a potent factor in exacerbating communal differences.

Lebanon has taken extraordinary measures, in its constitution and in practical politics, to maintain unity with diversity. Governmental posts are allocated with the aim of satisfying all groups. But occasionally the mixture of political ambitions and communal pride produces intense internal struggles, and strained relations with Arab neighbors, as when, in 1958, the president of Lebanon invited the United States to send in troops.

What effect the recent outbreak will have on the delicate balance in Lebanon, and thus on the equally delicate balance between peace and war in the Middle East, is not easy to determine. But the threat to both Lebanon and the whole region is there, and it does not spring from sources that most outsiders anticipated. No one could say with any assurance that an Arab-Israeli settlement would end the problems of a divided Lebanon. But it would surely help—just as it would advance the prospects of general prosperity throughout the whole Middle East.

In any case, the Lebanese troubles should end some of the simple generalities about "we" and "they," about enemies and allies. Perhaps there should be some further consideration, by everyone, of Pogo's celebrated insight: "We have met the enemy and he is us."

The Commitment Now

Shorn of wishful thinking, the realities in Vietnam should speedily persuade Congress that its overriding responsibility is to act swiftly to authorize the aid necessary to alleviate human suffering. The way to expedite approval of the \$250 million requested by President Ford for such relief is to separate it from consideration of Mr. Ford's capricious call for \$722 million in military aid.

Whatever support may linger in Congress for the continuation of the war, there is clearly no chance for a consensus to shore up the remaining military effort of the Thieu government. Under the circumstances, it is futile and callous to engage in a congressional sparring match with the White House over the nature of the American commitment.

The United States is left with one indis-

putable responsibility—to use its money and influence to begin the difficult but honorable task of saving lives, returning the mass of the displaced to a peaceful existence, providing the means of healing the wounds of war and stilling the cries of want.

Because of the chaotic state of South Vietnam under Hanoi's military pressure, it is imperative that the appropriation of funds be accompanied by effective plans for the distribution of aid, preferably under international auspices. It is not too late for the UN to arouse itself from its excessive caution and to play a more active role in efforts that surely fall within its mission of serving a clear human emergency. It is an emergency that, in Washington as well as in the UN, can and should be separated from political controversy.

THE NEW YORK TIMES.

International Opinion

Portugal Drops the Mask

The pact signed between Portugal's political parties and the Armed Forces Movement removes the last vestige of meaning from the forthcoming elections, which will now produce a body with neither functions nor powers. The movement's explanations reveal a remarkable paternalism comparable to that of Salazar. It considers itself the arbiter of what is right and proper and is prepared to force the nation to accept its views. Costa Gomes stated that many voters "would not vote correctly, as they had not had

enough practice in using democratic power"—so the army will ensure that they have even less practice. All the many apologies by the officers are based on a double-talking use of the word "democracy." "Correct democracy" means the views of those in power, and any decision contrary to those views is automatically "undemocratic." Such "improper behavior" will now be prevented from exerting any political effect, and no doubt measures will later be taken to suppress it entirely.

—From the Neue Zürcher Zeitung (Zurich).

In the International Edition

Seventy-Five Years Ago

NEW YORK—The town of Akron, Ohio, claims to be the first city to adopt the automobile for use as a police patrol wagon. Henceforth the law-breakers of the enterprising town will ride to station house and police court in up-to-date style. It is expected also, that busy calls will be answered in half the time formerly required, as the wagon will be kept ready to start on an instant's notice.

Fifty Years Ago

NEW YORK—Thousands of fans forgot the cold wind which nearly swept them out of their seats yesterday at the Yankee Stadium when they saw Miller Huggins' clan come back strong after somewhat indifferent exhibition games and administer a healthy defeat to last year's pennant winners, the Washington Senators. In the opening game of the 1925 season by a score of 5 to 1, Babe Ruth, still sick, did not play.



The Price of Palestine Peace

By C. L. Sulzberger

ATHENS—The creation of an independent Israel is a romantic, dream-filling event. In the sense of providing a free haven for refugees from fear, it compares with the creation of the United States two centuries ago.

Therefore, despite problems tangential to Israel's existence, most major countries join in supporting its freedom. These include the United States, the Soviet Union, all Western Europe and even the largest Arab land, Egypt, whose President Sadat has consistently negotiated on that basis.

The questions burning Middle Eastern fires are what shall Israel's frontiers be, how shall they be guaranteed, and what arrangements will be made to grant a geographical and political haven to Palestine Arabs displaced by its creation.

Dangling

In less than three decades Israel has proven to be one of the most socially effective, vibrant and militarily dazzling little states of modern history. Walworth Barbour, Washington's best ambassador there, told President Nixon: "Israel may be a small horse but it's the only horse we're riding that has four sound legs."

Nevertheless, since 1947 it has displayed little diplomatic sense. This lack became evident even before the six-day war, with its phenomenal successes. On May 26, 1967, I wrote that Gaullist France abandoning its quasi-alliance with Israel had "distanced itself from Israel and drawn closer to the Arab states."

That was a major event. Not only had Britain and France once guaranteed the Middle East status

quo (although themselves violating it in the 1956 Suez war) but the United States had been happy to see the French become Israel's main arms purveyors. After De Gaulle's switch only the United States was left as a weapons source and guarantor.

The Arab-Israeli picture remained the same but its international frame had changed. Yet Israel seemed unaware of this. There was immense confidence after the striking 1967 victories that America alone sufficed as a backer. If a visitor mentioned the possibility of U.S. opinion shifts, such doubts were brushed aside.

Israeli Errors

The Israelis have made crucial mistakes in diplomacy. They have won their wars—even the 1973 meatgrinder—but they have not consciously acknowledged that wars are often fought for more than mere survival, to achieve policy goals.

The 1967 triumph could have been immediately followed up by a generous offer on which peace could be based—an offer including virtually all territory won in the six days of fighting. Israel likewise kept dawdling in secret negotiations with Jordan's King Hussein, then spokesman for the Palestinian Arabs.

So it ends up with Arabat's P.L.O. Even in the recent unsuccessful Kissinger shuttle Jerusalem failed to give while the giving was good. Now it is being pressed by Washington to reluctant concessions.

Would it be disastrous for Israel to return to its 1947 boundaries and acknowledge a P.L.O. state if effective military guarantees were simultaneously instituted to as-

sure Israeli existence? On July 24, 1968, barely a year after Israel's most famous Palestine campaign, I saw its retired founding father, David Ben-Gurion. He said:

"My private view, now, is that if the choice lies between peace and the boundaries we obtained as a result of our victory in the six-day war, peace and the boundaries that existed in early 1967, I prefer peace. But I don't mean just a signed document. The Arabs don't respect papers. 'They didn't keep the armistice agreement (1948) after all. I mean a real peace. I mean co-operation between Israel and the Arabs, economic, political, cultural co-operation. For such a peace I would prefer to yield all the territory we took last year.'"

Real Cruz

This is the real cruz of continuing stalemate. It is up to the Arabs to define durable peace created on the basis of frontiers their most important and most moderate leaders accept. And it is up to the Israelis to indicate promptly what they will give in exchange, including some recognition of displaced Palestinian Arabs and their descendants.

Without a valid international guarantee, however, no Israeli can be blamed—above all on this 30th anniversary of Hitler's Jewish slaughter—for refusing to yield strategic areas to unstable, hostile neighbors: a one-sided session of strongpoints won in a conflict provoked by Nasser.

Such a guarantee must include both Soviet and U.S. commitments. For, in the wake of recent events elsewhere and the knowledge of rising emotional isolationism, a unilateral pledge by the United States alone wouldn't seem sufficiently convincing.

The Shift in U.S.-Latin Relations

By Stephen S. Rosenfeld

WASHINGTON—Since we are entering one of those infrequent and brief periods in which Henry Kissinger looks south, it becomes topical to observe that a profound shift has occurred in U.S. relations with Latin America.

That was the diplomatic landscape of the inter-American "system" and the Western Hemisphere "community" have been fading away. In their place have emerged two separate entities, Latin America and the United States, both increasingly for good or ill going their own ways.

The secretary of state still speaks of promoting a "new dialogue," a gimmicky if innocuous phrase premised on the traditional concept that American and Latin perceptions and interests are essentially consistent and that the United States has a special responsibility to care for the political health and economic welfare and sometimes even the ideological purity (Chile 1973) of our Latin "partners."

But what actually has happened, suggests Ben S. Stephens, a top State Department Latin hand in the 1960s, is that in the five years of Nixon "nonpolicy" before the "new dialogue" was launched in 1973-74, the Latin effectively shaped their own "ideology of independence" from the United States. Thus did they become for the first time "part of a world in which negotiations with the United States are conducted in the limiting context of ideological divergence," rather

than in the soothing context of asserted hemispheric togetherness.

Equal's Hand

Writing in the forthcoming first issue of Latin American International Affairs, a journal of the Center for Inter-American Relations, Stephansky reviews the Latin's offer of an equal's hand to the United States five or so years ago, Washington's neglect of that offer, and the "spectacular irony" of Kissinger's proposing a "new dialogue" in 1974 "as if nothing had occurred in the interval."

In fact, he notes, Latin America had meanwhile consolidated its control over basic resources mainly by expropriation, laid down more rigorous terms for regulating foreign investment, expanded diplomatic and commercial relations with countries outside the hemisphere, and begun to concert efforts to control transnational corporations.

At the same time, Latin began to step outside the traditional Washington-dominated institutions of the inter-American system, particularly the Organization of American States, and to conduct their serious business with the United States through various Latin caucuses and through a new collective of hemispheric foreign ministers. On this regard, it is no accident, one suspects, that the likely new secretary-general of the OAS seems to see it chiefly as a good place to throw parties.

Henry Kissinger's complaint in a speech of March 1 that Latin and some other "nonaligned" countries are "now tending to form a rigid bloc of their own," a development he pronounced "particularly inappropriate for the Western Hemisphere," suggests just how inattentive to Latin trends he has been. Fortunately, the administration's reaction to this "rigid bloc" has been more positive and practical than the Kissinger complaint suggests. It has been trying to move American relations with Latin America as much as possible away from the big meet-

ings and multilateral institutions, which tend to evoke the heavier Latin assertions of their "ideology of independence," toward a pragmatic country-to-country or bilateral emphasis on the particular problem at hand.

There is in administration thinking a certain hope that the Latin's surge of self-reliance will render them politically and psychologically ready to deal with the United States within the framework of the old hemispheric community but the actual policy emphasis on bilateral dealings and on nonideological issues indicates that not too many eggs are being put in that basket.

Canal Issue

The United States is weighing certain proposals for reforming the OAS—to move it out of Washington, to create a new economic development council in which technocrats would have more standing, to reduce the general speechifying. But the thrust of the administration's Latin policy is still in the direction of coping with specific problems, such as a new Panama Canal treaty, an accommodation on Cuba, and the recent (and legitimate) Latin beef that Venezuela and Ecuador, which didn't participate in the oil embargo, should not have been barred from tariff preferences by the new Trade Act.

It won't be easy. For one thing, the problems are sticky. For another, the Latin haven't shed all their own hangups. No sooner had they created a non-OAS forum of foreign ministers in which to stand up to the United States, for instance, than they postponed its sessions indefinitely to chastise Washington for the Trade Act. Many Latin want the benefits of membership in the Third World and the larger international community, and the advantages of a special relationship with the United States, too.

The United States can hardly give Latin everything they want. But it can pay them close attention. That would make up for a lot.

Peter Lennon

From London:

The figures were horrifying. More than 100 persons a day die in Britain as a result of cigarette smoking—times more than are killed on roads.

LONDON—A Gallup Poll has estimated that as a direct result of a program put out by the independent television company Thames two weeks ago, a staggering 30 per cent of British smokers decided to give up smoking. The program, "Dying for a Cigarette," started a man dying of lung cancer caused by smoking and went on to examine hospital bins full of discarded lungs that had been removed from patients.

It was followed by a second program, "Licence to Kill," which, while investigating the tobacco industry's selling methods, continually intercut to close-ups of a man having a flabby cancer-torn lung the size of a tomato removed from his lung. Not surprisingly no representative of either the tobacco industry or those who handle cigarette advertising would appear on the programs.

It is a moot point whether many of the smokers will keep up their resolve for long, but there is every indication that the programs were used by the Minister for Health, Dr. David Owen, who took advantage of the program to provoke a showdown with the tobacco industry and win public support for a coming campaign in which the government will state unequivocally that cigarette smoking causes lung cancer, heart disease and breast cancer. For nine months the minister has been negotiating with the industry fruitlessly; now he seems to be spotting for a fight.

100 a Day

The figures given were horrifying. More than 100 persons a day die in Britain as a result of cigarette smoking—six times more than are killed on the roads.

The general assumption that less people smoke nowadays in Britain is wrong. There are marginally less men smoking. But more women are smoking, and one third of boys under 15 smoke. This has been blamed on the tobacco industry's subtle advertising campaigns which have managed to get around almost every rule governing cigarette advertising.

Last year the tobacco industry here spent over £10 million (\$165 million) promoting their products. The government's expenditure on health and education was about £230,000 (\$700,000). Dr. Owen wanted to redress this balance somewhat and approached the tobacco industry for a contribution. He proposed that the industry should voluntarily contribute a percentage of its total expenditure on promotion towards public education on the danger to health. They rejected his proposal.

The minister wanted cigarette advertisements in cinema abolished. The industry hedged. He wanted a tighter control over advertising through sports events. Particularly in its sponsorship of racing cars the tobacco industry flagrantly gets around the ban on cigarette advertising on television by putting brand names large on the hoods of the racing cars. The industry was "not yet ready" to give up this practice.

The one rule the industry has more or less gracefully submitted to is to print the warning "Smoking Can Damage Your Health" on all cigarette packs. But they have found a way of neutralizing that. Their billboard advertisements now proudly announce that "Every Cigarette Contains a Good Argument Health Warning," and doctors claim that many people take this to mean that the health problem is being officially taken care of. The extraordinary prevalence of cigarette ads also convinces people that the dangerous weed has full social and governmental sanction.

The minister's ultimate objective is to seek enough public support to have cigarette advertising banned totally. Norway will bring in such a ban next month. Up until now the cigarette manufacturers have supervised their own advertising under a code administered through their own tobacco advertising committee. In future the rules will be enforced by the advertising standards authority. But this is a committee set up and paid for by the advertising industry whose record in getting around govern-

ment recommendations on cigarette advertising has been notoriously ingenuous.

Dogged by warnings from the Royal College of Physicians and the advertising industry with images of the health-dim life, Marlboro's famous "Manly Smoking in an Open Space" is a favorite for anti-smokers. "Come to Marlboro Country" invites "Where you die young" gets Sir George Goddard, a campaigner against cigarette advertising.

The government code of cigarette smoking should be associated with manly figures. But Rothman's poster shows the bride of an airline pilot and car phrase: "When You Know You Are Doing."

Cigarette ads should not appeal to the young. Mrs. No. 6 shows a group of young "smokers" and a "For people like you."

The television reports the minister one question underlined the politician's aim. A question which went out on the program: government living off a cigarette? This was a r to the £13 billion (\$24.4 billion) the country reaps in tobacco. The government even for the health of the nation.

Ways around this have suggested. One was to t arctics so heavily that it discourage many smokers who persist would k tax income relatively hi

Problems

The minister has a nur problem: smoking should be banned just ban cigarette ing. This would place it erment in the interrelati on of passing a law w knew hundreds of thous respectable citizens woul time to break. There what many people feel to exaggerated and misguid cern for freedom of the b which results in smokin being banned in public

Government officials ad if any other product was even a fraction of the cigarettes kill it would stantly taken off the mar wonder how they sleep at Prof. Charles Fletcher, B leading authority on the harsades of smoking, said, "public make it absolutely that it wants something serious done about the has cigarette smoking. It will be the minister for health ed in an open invitation public."

Privately he said: "Wh history of this business, people will look back with ment that cigarette smokin allowed to continue."

Letters

Refugees

Peter O'Loughlin's di from the Pioneer, Co (157, April 1), under the line "Babies Die, Women Starve" on the "Refugee Ship," was in grief. It is a masterpiece most poignant summation. We of what we Americans done for Vietnam.

JOHN M. DANES
Regensburg, W. Germany.

Faisal's Grave

About the photograph of "Unmarked grave final place of King Faisal" (March 29-30). I would explain to readers who are familiar with our Moslem tion that this simple grave way of burying all people, death we are all the same. don't show our appreciation person by decorating the g if so, we would have built a grave with diamonds, to (Arab and Moslem) loved and appreciated him more one could imagine.

REEMSA BAKADI KALHE
Jiddah, Saudi Arabia.

Obituaries

Actor Fredric March; Won Two Oscars

LOS ANGELES, April 15.—Fredric March, 77, a two-time Oscar winner whose film acting career spanned more than half a century, died yesterday.

March had been in semi-retirement for several years. His last role was in the 1969 film "The Candidate," in which he played a senator. He had been in semi-retirement for several years. His last role was in the 1969 film "The Candidate," in which he played a senator.



Fredric March

March was born in Olathe, Kan. He began his career in 1914, appearing in silent films. He won his first Oscar in 1931 for "The Great Zerkow" and his second in 1939 for "The Best of the Best." He was also nominated for three other Oscars.

March was married four times. His last wife was actress Betty Garrett. They were married from 1951 to 1969.

March died of a heart attack at his home in Los Angeles.

March was born in Olathe, Kan. He began his career in 1914, appearing in silent films. He won his first Oscar in 1931 for "The Great Zerkow" and his second in 1939 for "The Best of the Best." He was also nominated for three other Oscars.

Charles Cardinal Journet

FRIBOURG, Switzerland, April 15 (AP).—Charles Cardinal Journet, 84, professor of theology at the University of Fribourg, died today after a long illness. He was the sole Swiss member of the College of Cardinals.

The cardinal, elevated in 1965, was considered to have been a longtime confidant of Pope Paul VI, with whom he shared specific regard for the teachings of Jacques Maritain, the French philosopher and convert from Protestantism.

The cardinal's interventions at the Vatican Council were often taken to reflect the views of Pope Paul VI. Well before the council, he had gained specific attention as one of the early advocates of a Catholic dialogue with Jews.

Cardinal Journet was the author of numerous publications and editor of the theological review "Nova et Vetera."

Michael Flanders

LONDON, April 15 (AP).—Michael Flanders, 53, English music and comedy star who performed from a wheelchair, died last night while on vacation with his family in north Wales. The cause of death was not immediately known.

He was best known for his 12-year partnership with composer Donald Swann in their two-man "At the Drop of a Hat" shows.

Educated at Oxford, Mr. Flanders contracted polio in 1943 and had to live and perform from a wheelchair. He turned to song and lyric-writing, translating, writing opera librettos and broadcasting.

The fast-paced and witty two-man revue, "At the Drop of a Hat," opened in London in 1956 and ran for three years before the duo toured the United States and Canada with it.

A sequel, "At the Drop of Another Hat," opened in London in 1963 and was also performed in the United States, Canada, Australia, New Zealand and Hong Kong.

Clyde A. Tolson

WASHINGTON, April 15 (WP).—Clyde A. Tolson, 74, close friend, associate and heir to J. Edgar Hoover, the late Federal Bureau of Investigation director, died here yesterday.

Mr. Tolson was the director's intimate through most of his 44-year career in the FBI and was Mr. Hoover's second in command for a quarter century.

Other FBI officials considered him the man who knew most about Mr. Hoover, but there were no disclosures from Mr. Tolson.

A bachelor like Mr. Hoover, Mr. Tolson socialized and traveled with the director. After Mr. Hoover died on May 2, 1972, his will named Mr. Tolson the principal beneficiary of a \$550,000 estate that included a \$100,000 house in Washington.

Mary Ann Goodbody

LONDON, April 15 (AP).—Mary Ann Goodbody, 28, a director of the Royal Shakespeare Company, was found dead in her North London home, the company said yesterday.

Miss Goodbody became the company's youngest director at the age of 24. Last week she staged a production of Hamlet at Stratford-upon-Avon, and she was in New York this year for her production of "King Lear."

Dorothy Patten

NEW YORK, April 15 (NYT).—Dorothy Patten, 70, an actress who appeared in 30 Broadway plays, several motion pictures and more than a dozen daytime television shows, died Friday at her home in Westhampton, N.Y.

On Broadway she appeared in "Annie Get Your Gun," "The Sound of Music," "Subway Express," "Bus Stop" and "Waiting for Lefty." Her top Broadway role was that of Mrs. Nellie Garth in "Bohemia by Night."

Dr. Richard H. Moorsteen

MALIBU, Calif., April 15 (UPI).—Dr. Richard H. Moorsteen, 49, a former special assistant to President Lyndon Johnson and a specialist at the Rand Corp., died at his home here Friday of an undisclosed cause.

Mr. Moorsteen worked with President Johnson on Southeast Asian economic affairs during the late 1960s and was a specialist in the economies of the Soviet Union, China and Southeast Asia for Rand.

Richard Conte

LOS ANGELES, April 15 (Reuters).—Richard Conte, 59, who spent most of his film career playing gangsters and Nazis, died today in a hospital here of a heart attack.



JUST CHECKING, MA'AM—With a tip of his helmet a London policeman talks with a woman staffer at the Foreign Office yesterday after the discovery of a suspicious package on her window ledge which overlooks Downing Street. On inspection the package was found to contain only milk and sandwiches.

Broadcasting From Yugoslavia

20 Nations Support 3d-World News Agency

By Dusko Doder

BELGRADE, April 15 (WP).—In an effort to counter Western domination of international news gathering and distribution, countries of the Third World have established a wire-service pool of their own with the aim to "decolonize" the news and stimulate exchanges of information among nonaligned nations.

In the process, however, pool organizers are clearly hoping that the venture would enable them to shape public opinion eventually in the developing nations of Asia, Africa and Latin America.

The nonaligned pool, which is

run by the Yugoslav news agency Tanjug, started operations two months ago with 13 nations participating. It now has 20 members, and the number is expected to grow in the months ahead.

Among those taking part in the pool are the national news agencies of Egypt, Algeria, Iraq, Libya, Tunisia, Bangladesh, Mexico, Cuba, Zambia, Mali, Ghana, Tunisia, Afghanistan, Burma and Malaysia.

Also participating is the Palestinian news agency.

Despite its modest beginnings, the nonaligned pool may turn out to be a powerful competitor to the four major Western wire services which now distribute most of the news in the developing

world: the Associated Press and United Press International, both American, the British agency Reuters and France's Agence France-Press.

Yugoslav officials running the pool maintain that its objective is not to compete with the major wire services but rather to prevent "disinformation" distributed by Western news media about the nonaligned world.

Pero Iavic, director of Tanjug, put it this way: "The powerful news distribution systems from the most developed countries are actively trying to capture new markets in the Third World and gain direct influence for their information media."

"In view of the poor development of national media (in the Third World) the public in most nonaligned countries is informed about world events through the large news agencies from a small number of highly developed countries."

"Except here and there at a regional level, there is virtually no mutual information (exchanges) existing among the non-aligned countries, which means that reports on other nonaligned countries are frequently tinted by foreign political interests."

The decision to establish such a system of information exchanges was taken at the fourth nonaligned summit meeting in Algiers in 1973. The beginning of its operation, however, coincided with the completion of four 38,000-watt transmitters near Belgrade as part of a \$15-million modernization program for Tanjug, financed by the Yugoslav government.

Specialists say that their broadcasts can reach the entire world. Each pool member contributes daily stories to the pool, and the information is then sent out six days a week as part of the growing Tanjug daily file in English, French and Spanish. The items are transmitted unchanged except that they are being translated at the Tanjug headquarters.

Since then, Premier Constantine Caramanlis has loosened the procedures and about 2,000 exiles have returned on a case-by-case basis. But the government is reluctant to grant the Communists demands and give blanket approval for repatriation.

The government fears that the economy could not provide enough jobs or housing. Such complex legal matters as pension and property rights remain unsettled. Officials fear that a large influx of dedicated Communists could upset Greece's political structure.

The Communists reply that many exiles are tied to homes and families in Eastern countries and would not return en masse. Those who do come, they add, would be subject to the same laws against subversion as all Greeks.

After Greece was occupied by the Axis powers in 1941, Mr. Kalodiki joined the National Liberation Front, the political organization established by the Communists. As secretary for the Athens area, his role ranged from printing leaflets to planting bombs.

After the Communists tried and failed to seize power in December, 1944, Mr. Kalodiki became a wanted man. He escaped, leaving behind his wife and two small children.

A teacher before the war, Mr. Kalodiki taught Greek literature to the children of fellow exiles, first in Yugoslavia and then in Romania, where he moved in 1950. Like most of his comrades, he never accepted a new nationality and remained stateless.

Yugoslav Trainmen Imprisoned in Crash

ZAGREB, Yugoslavia, April 15 (Reuters).—The engineer of a train that crashed here in August, killing 153 people, was sentenced to 15 years imprisonment yesterday.

Engineer Nikola Knezevic and his assistant, Stjepan Varga, both 42, had admitted being asleep as the train entered Zagreb station, where it crashed. Varga got eight years in prison.

Regardless of Vote, Portugal To Be Socialist, Official Says

By Henry Giniger

LISBON, April 15 (NYT).—A major spokesman for Portugal's ruling High Council of the Revolution made it clear yesterday that the country was heading toward socialism regardless of the result of the April 25 election.

Adm. Antonio Rosa Coutinho, who is acting as the executive officer of the council, said that the armed forces wanted Socialism, although they were not sure which kind, and would not be thwarted from this ambition by a possible anti-Socialist majority in the assembly.

The council is to rule the country for at least three to five years under the broad outlines of the future constitution, set in advance of the voting and subscribed to last week by all the parties considered likely to have major representation in the assembly.

When asked what would happen if the country indicated by its vote that it did not want a Socialist state, Adm. Coutinho said firmly: "We are going to have Socialism in the next three to five years. The country can choose something else afterward."

But the admiral indicated that the armed forces might attempt to realign Portuguese political forces to ensure broad popular support for their Socialist aims. In the process, he indicated that a major victim might be the present rightist leadership of the Socialist party, headed by Mario Soares.

Moreover, Adm. Coutinho left open the possibility that the armed forces would continue to rule Portugal after the so-called provisional period. Asked if the military would go back to the barracks at the end of the three to five years, he said, "I don't know. I don't even know what the situation will be a year from now. A year ago, I could not imagine the present situation."

Political Preparation

The admiral recalled the "50 years of anti-Socialist propaganda" of the rightist regime overthrown last April 25. Several times, he referred to the lack of political preparation of the Portuguese electorate and its

inability to choose among 12 parties all speaking in similar language.

But he noted that the armed forces were uncertain of the kind of Socialism they wanted. "We have no definite ideology," he said. "There are many different ideas of Socialism. We are open to any kind of experiment by the people that will lead to a Portuguese type of Socialism."

Ransom Motive Seen in Boston Rembrandt Theft

BOSTON, April 15 (AP).—Police say that the bandits who made off with a Rembrandt painting valued at \$500,000 may plan to hold it for ransom, since they probably would find it difficult to sell.

FBI agents have joined police in seeking two men who grabbed the painting at the Boston Museum of Fine Arts yesterday. One bandit was armed and he pistol-whipped a guard. As the two fled in a car driven by an accomplice, the armed man fired three shots, but no one was hit.

The 343-year-old painting, "Portrait of Elizabeth van Rijn," thought to be Rembrandt's sister—had been on loan to the museum since 1930 from the collection of the late Richard C. Paize.

Museum director Merrill Rueppel said the thieves will find it difficult to dispose of the portrait because "it's like stealing the statue of Paul Revere. Who's going to buy it?" He shared the view of police that the thieves may hold the painting for ransom.

A museum spokesman said the two men purchased admission tickets shortly after noon, went to the gallery for 17th-century master work and began removing the 16-by-22 inch painting from a wall. The armed man cowed one approaching guard and pistol-whipped another during a 250-yard dash to an exit. The thieves spent a total of 10 minutes in the museum.

EEC Offer to Buy Up Surplus Ends France-Italy 'Wine War'

LUXEMBOURG, April 15 (UPI).—France and Italy settled their "wine war" today.

After 13 hours of talks, French Agriculture Minister Christian Bonnet told ministers from the eight other nations in the European Economic Community that France will stop blocking Italian wine imports into France. The ban, which began March 28, will end tomorrow, Mr. Bonnet said.

In return, the ministers agreed to help soak up the millions of bottles of surplus French wine that caused all the trouble. They agreed to a special subsidy of \$60 million to buy up about 1.5 billion bottles of cheap French wine and distill it into industrial alcohol.

But before the other nations agreed to spend this money, they forced France to accept urgent consideration of new rules, under preparation, that would cut the output of French wine.

It was overproduction of cheap wine by growers in the south of France, coupled with increased competition from Italian wines and an unexpected fall in French wine-drinking that caused the surplus and led to riots by French winegrowers who saw their markets disappearing.

The riots led to the decision to close France's borders to wine imports from Italy. This in turn led to threats of Italian retaliation and a warning by the Common Market's European Commission that the ban must end by Friday or France would be sued in the European Court of Justice.

Whether the compromise solution would satisfy French winegrowers was unknown.

Bombings, Blockades

NARBONNE, France, April 15 (AP).—Angry French winegrowers threw Molotov cocktails and blocked all major roads and railroads across southern France today, demanding that France continue to keep its frontiers closed to imported wine.

A "commando" of protesters caused serious damage to the main tax office here with Molotov cocktails.

Trucks blocked roads in a wide area, from the Spanish border across the Rhone River, and two trucks were reported overturned when their drivers tried to run the blockade. Trains

Genscher Starts 3-Day Visit to Egypt

CAIRO, April 15 (UPI).—West German Foreign Minister Hans-Dietrich Genscher arrived in Cairo yesterday for meetings with Egyptian leaders.

Mr. Genscher said in an arrival statement that the three-day visit "will give me the opportunity to strengthen the ties between the Federal Republic of Germany and the Arab Republic of Egypt."

Bombs in Italy Kept Secret Leave Tax Men in Dark

April 15 (AP).—The price that Giovanni Bulgari paid for his family's release was kept secret for a month. He was freed yesterday.

Bulgari kidnapping, parts on the ransom paid from one billion lire (\$15 million). He was freed yesterday.

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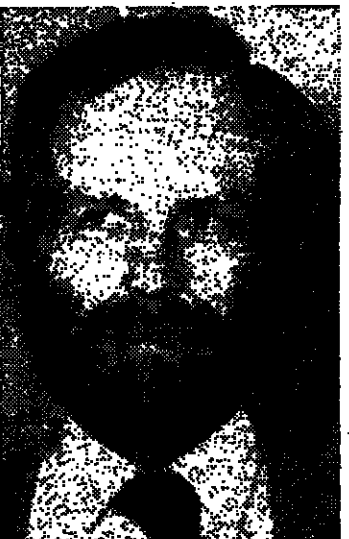
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Giovanni Bulgari after his release by kidnappers.

pected, the conservative Rome newspaper Il Tempo asserted, and asked: "But do they pay what is fair in taxes?"

The Rome newspaper Il Messaggero wrote that the public considered the kidnappers to be criminals "sympathetic."

"When they have the rich and the very rich disburse billions of lire for ransom, there are not a few around who comment: 'They did a good job,' it said.

Il Messaggero said this was because tax evasion traditionally has been too easy for all except wage earners in Italy. It added: "Police would serve the cause of public order with greater enthusiasm if they knew that the rich man has paid his dues to the state."

Tax officials used to attend the premiere of Milan's La Scala opera house to guess at income from the clothes and jewels that opera-goers showed off for the occasion. Now, Milan's Corriere della Sera said, they scan the "quotations list" of the kidnapping racket. Abductors seem to know their victims' bank accounts better than tax collectors, it said.

Kidnapping in Sicily

PALERMO, Sicily, April 15 (UPI).—Kidnappers today released Francesco Madonia, nephew of a wealthy landowner, after a record 36-day captivity. The family would not say if ransom was paid or how much. News reports said the kidnappers' original demand was 2 billion lire (\$32 million).

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PARIS

Portrait on Film
Of Muhammad Ali

By Thomas Quinn Curtiss

PARIS, April 15 (UPI)—William Klein's "Muhammad Ali, The Greatest" (at the Racine and the MacMahon in English) is a unique and absorbing documentary. Edited with an alert eye for screen values, it chronicles the career of the black boxer from his winning the world championship in 1964 by knocking out Sonny Liston to his recapture of the title by defeating George Foreman in Zaire last year.

As a definitive dossier, it has serious gaps. The filmed coverage of Ali in combat is copyrighted and so scenes from his fights had to be reconstructed with still photos. But Klein's movie is more than a record of his successes—at least an appreciable measure—in drawing a sort of psychological portrait of the boxer.

All's battles were not confined to the ring. In a prologue, members of the committee that financed his training complain of his ingratitude. It requires no phenomenal memory to recall the derision that greeted his challenging of Liston. Many sports experts predicted his quick downfall—there was heavy betting that

he would be wiped out before the fifth round—and described him as an obnoxious braggart, loud-mouthed and as vain as a Hollywood ham. He made his detractors eat their words and attained popularity as a picturesque character. But being a public idol is precarious. One step from the accepted image and the mob is howling for blood.

His conversion to Islam jolted some of his fans who probably expected to see him as his manager's hype, singing Baptist hymns of thanksgiving and eulogizing Abraham Lincoln. When he refused to bear arms in the Vietnam conflict, he was deprived of his title, certainly an unsporting blow and one declared illegal after a three-year wrangle in the courts.

Ali is a compulsive talker. Most of his talk on the film is the brash boasting that he employs as a publicity device. Now and then he has a stinging wisecrack, but he appears to think in clichés. His case is more clearly stated here by inference—by the revealing comments on him by others, by the inclusion of his high moments and his troubling moments over the last decade and by the depiction of the turbulent milieu which formed him. As both a sociological study and an example of lively cinematic technique Klein's screen biography is of value.

Jean-Paul Belmondo, the French film favorite, is the most dedicated member of the French police force in "Fur sur la Ville" (at the Paramount Opéra, the Normandie and the Publicis



Muhammad Ali in training for fight in Zaire.

Saint-Germain). No screen performer has taken such risks since the days of Pearl White.

Belmondo darts all in his latest film and no stunt man stood in for him during the shooting of the perilous episodes. He crawls along the top of a speeding Metro, ducking as tunnels approach. He parachutes from a helicopter to a skyscraper; he takes a sliding fall on the slanting roof of Galeries Lafayette; and he crashes through plateglass windows to get his man.

His mission is the capture of a one-eyed Jack-the-Ripper who is out to slaughter Parisian women he considers loose. As this maniac's definition of loose morals is vague, every woman in town is in danger. But trust Belmondo. His frantic pursuit brings the mad killer to justice.

Henri Verneuil is a proficient action director and stages the chases excitingly. The intervals, however, may evoke a few yawns, but these intermissions don't last long.

An international festival of films by women and about women will take place in Paris under the auspices of Esta Marshall from April 23 to April 25 at the Gaumont Rive-Gauche.

Feature films, documentaries, experimental and animated cartoons will be presented. The program will include "Desiree" by Vera Chytilova, "Loving Couples" by Mai Zetterling, "Cleopatra de 5 à 7" by Agnès Varda, "Sambizanga" by Sarah Maldoror, "Wanda" by Barbara Loden and "The Year of the Cannibals" by Liliana Cavani. The program for April 26 will be devoted to video tapes made by women from several countries.

A discussion on "The Image of Women in Film" will take place at the PNAO-Montparnasse auditorium (136 Rue de Rennes) on April 23 at 6 p.m.

The Studio Theater of Paris will present a recital of the poetry of Robert Frost, "Frost in Season," spoken by Dolly West and Lee Payant, directed by Gordon Heath, at the American Cultural Center (13 Rue du Dragon) on Thursday at 8:30 p.m.

Claude Chabrol appears to select his material from paperbacks loaded with cheap detective fiction. He could certainly write far better stuff himself. His latest film, "Les Innocents aux Mains Sales" (at the Balzac and the Odéon) is yet another dramatization from the thriller shelf.

Its premise—that of a wife trying to murder her husband with the aid of her lover—is the theme of Robert Hitchcock's "Bella Donna" of long ago. Somerset Maugham made further use of it in "East of Suez." Either of these treatments is light-years better than the present boring middle. Romy Schneider, exquisitely lovely, and Rod Taylor, struggling through a collection of trashy circumstances,

'Future Shock' Author Says
Industrial Society Breaking Down

By Eleanor Hoover

LOS ANGELES—If you are worried about the likelihood of an automated, faceless, homogenized humanity emerging by the year 2000, take hope. Alvin Toffler, social critic, futurist and author of an immensely popular book, "Future Shock," does not believe it will happen.

Rather, he sees the world headed for more heterogeneity, more diversity and variety, in both personality and life-styles. This, he feels, is fostered by an advancing technology which requires more division of labor rather than less.

Toffler's "Future Shock" has had worldwide sales of more than 6 million copies and been translated into 20 languages. Critics around the world have called it one of a handful of books which have reshaped thinking about the 1970s.

Now, says Toffler, we are witnessing "an overall breakdown of industrial society." At the same time, he sees this upheaval as "the birth of a new civilization—a super-industrialized social order that will be technological but no longer industrial," or at least not in familiar ways.

Ecospasm
Toffler calls it all an "ecospasm" or spasmodic economy and he describes it in detail in a new book, "The Ecospasm Report," which takes up where "Future Shock" left off.

"Future Shock"—written five years ago—was about the shattering stress and disorientation which occurs when people face too much change in too short a time, Toffler said in Los Angeles recently. "The strains were highly visible in the urban crisis and breakdown of the family. But the real crisis had not yet hit the economic system." Now, he says, it has.

In addition, this is mixed in with "highly erratic ecological, military, social and cultural

events" and "change piles upon change at faster and faster rates, creating tensions never before experienced in high-technology societies."

To call all this just a detestation or an inflation or even a combination of the two, is far too simple, Toffler believes. The old words do not apply, neither do the old remedies—war, particularly, the old economies.

"Pack of Nonsense"
"And the public knows this," Toffler says. "The public has a kind of a gut feeling that the way problems are being framed is inadequate. People are not stupid. They may not be able to express it, but they know they are being fed a pack of nonsense."

"Because ecospasm is more than just an economic problem," it will have to be met in new ways, Toffler believes. He says he has no answers, only "strategies."

One is gaining more control globally of certain economic forces he sees as now out of the control of almost any nation—multinational corporations, for example.

Another strategy is more "anticipatory democracy." Toffler cites grassroots regional planning committees which have sprung up in such diverse places as Hawaii and Seattle in recent years to examine education, transport, ecology and many other issues.

"Under conditions of high-speed change, a democracy without the ability to anticipate condemns itself to death," he says.

A third strategy is thinking in

Correction

Through a technical error, the photograph of sculpture accompanying the article "Future Shock" in the March 12 issue of the International Herald Tribune was credited to Etienne Hajdu. The work was by Rembrandt Bugatti. The IHT regrets the error.



Alvin Toffler

terms of employment, promote "psychological hood."

He points out that United States, white-collar outnumbers blue-collar, in promoting officials and others think just of putting into precisely the job behind, but rather a new service jobs that done. And the people might make the suggestion of the elderly remain.

Finally Toffler, he certain social change away. While he thinks the never disappear, an ought to be valued, "breaking up in its class not because of 'loose permissiveness,' but no longer serves the much of the population. He thinks people's more 'future-conscious' learn to cope with transcendence society's to stay—and 'where make and break our with things, places, organizations, at a rapid pace."

The rewards, Toffler almost be worth the s of see myself as a cultural—and that's a "ment," he says. "I collapse. I feel I have plenty to participate in of a new civilization."

(Los Angeles Times)

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Dining Out in France: An Auberge's 100th Anniversary

By Naomi Barry

ILLHAUSEN. (UPI)—The Auberge de l'Il, the three-star restaurant in Alsace, this year marks its 100th anniversary in the hands of the same family. The celebration will be next year after Jean-Pierre Haeblerlin finishes his souvenir book with his own watercolors.

Jean-Pierre, in addition to directing the restaurant, is mayor of his pretty little village on the river Ill. A century ago, his maternal great-grandfather, George Reist, was mayor of Illhausern.

George was in agriculture but as a sideline he and his young wife set up a *guinguette* on the banks of the river to nourish the fishermen. In those years, the Ill was rich with fish. Mme. Reist developed a local reputation for her fish-ry and her *matelote*, a tasty stew of eel, perch, pike, trout and Riesling.

During World War II, the Auberge was seriously damaged. In 1948, the youthful Paul Haeblerlin (Jean-Pierre's brother, who is the chef) set up his stove in a wooden barrack and started to recoup the family fortunes by repeating the specialties of great-

grandma—the *matelote* and the fish-ry.

These days, however, the inn is done up in a style of Rustic Grand. The wine is chilled in silver buckets and served from 19th-century decanters of crystal and silver. The big seller on the menu is foie gras macerated in *fine champagne* and baked in a brioché loaf. The display cases are filled with 18th-century pieces of *faïence de Strasbourg* and a valuable 18th-century porcelain stove in the dining room provides a tone of regional opulence.

In Sweden, Too

The Haeblerlin brothers currently are big in Sweden. They went to Stockholm in January to do a gastronomic fortnight for Tore Wretman, the Swedish restaurateur. King Carl Gustav asked them to do him a dinner at the palace before they went back to Alsace. The King invited 180 of his most distinguished citizens to come over for an Illhausern supper. The menu consisted of frogs' legs soup, a gratin of sole and lobster flavored with saffron, *sigillettes* of duck with fresh green pepper berries, munster cheese and *caraway* seed. The double fish dessert was *poche Haeblerlin*, which consists of a poached peach and pistachio ice cream accompanied by a *sabayon au champagne*.

Pierre's apprenticeship was spent in the Alsatian village of Riquewihr with a chef named Weber who had once worked in the kitchens of the Czar's palace in St. Petersburg. Weber asked him with descriptions of such marvels as 100 varieties of sakouski and elaborate pieces of ice sculpture made every day.

Locher "Prince Vladimir," one of Pierre's favorite dishes on the Auberge de l'Il menu, was inspired by Weber's stories of life in the kitchens of the Czar. Locher is cooked in a court-bouillon and the meat extracted from the shell. Lettuce is cut into shreds, parboiled, and steamed in butter. "The lobster and the *chiffonade* of lettuce are a happy marriage," said Pierre. "I cover the two with a *sauce au champagne*."

His own creation, "Saumon sauté à l'Auberge de l'Il," demonstrates why some chefs are

three-star. The salmon which is flown in from Scotland, is sliced into scallops and sandwiched with a mousse of pike. The salmon, which remains moist and juicy, is served in a Riesling sauce. The effect, while eating, is ethereal. The aftereffect weighs heavy on the scale.

In keeping with its tradition, the Auberge remains very much a family affair. Maman is 88 and takes the coffee. She is the little trail for making the past. Tante Henriette is 85. Age has obliged her to give up on fish cooking but she oversees the liness of the restaurant. Pierre's wife is responsible for the bouquets.

A few years ago, Illhausern was twinned with the Lyons suburb, Collognes-au-Mont-d'Or, which is the capital of the kingdom of Paul Bocuse.

"Most towns in this area get coupled with towns in Germany," said Mayor Haeblerlin, "but my family has always turned towards France."

He ran off to get a drawing by Hansi, one of the Alsatian patriots who represented the return-to-France movement prior to World War I. The drawing was inscribed, "Vive la France à la Matelote d'Ilhausern." 21 mai, 1918, Hansi!

Make a fish fumet with the fish heads in two liters of water. Add onion, carrot, leeks, parsley, bay leaf, thyme, and pinch of nutmeg. Simmer approximately 1 1/2 hour.

Place the sections of eel in a casserole. In the following order, place the pike, tanchu, perch and trout. Add salt and pepper. Add 1 and 1/2 liter of fumet, and 1/2 liter of Riesling. Simmer 20 minutes.

Meanwhile make a roux with the flour and butter. Cool and add, little by little, the rest of the fish fumet. Stir and reduce over low flame 10 minutes. At last moment, bind the sauce with the cream into which have been beaten 4 egg yolks.

Arrange the fish in a heated serving casserole. Pour on the sauce. The Alsatian way is to accompany the *matelote* with a bowl of home-made fresh noodles.

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Silvano Arieti's "Di
tions of Schizophrenia"
award for science.

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went to Spanish "The
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Faith," by Miguel Unzu

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IVECO objectives

Increased international competitiveness

Using common experience and resources, the IVECO organization is capable of meeting the need for engineering progress and of matching the continuing increase in the level of competitiveness on an international scale.

Make autonomy

The commercial autonomy and specific technical character of each individual make will be maintained and exploited.

Quality improvement

IVECO will make utmost use of the technical and financial capacity of the partners within the holding company to the benefit of improved product quality.

Wider choice for the customer

Production plans will be arranged with the aim of offering a wide global diversification in every class of vehicle.

Multi-national production experience

The transnational character of the partners within the IVECO company will make it possible to supply an immense market with a world-wide understanding of different engineering, social and commercial problems which no individual national manufacturer can offer on its own.

Significance of Service

One of the primary tasks to be undertaken by IVECO will be to extend gradually to the customers of each individual make, the facilities of the service networks of the other makes. This is one of the most sensitive aspects of the demands of large international haulage organizations.



1974 production: 55,500 trucks and buses, of which 50 per cent were exported to 80 countries.

Fiat commercial vehicle penetration in the Italian market is 54 per cent. Fiat is the biggest selling commercial vehicle make throughout the African continent.

1974 production: 28,000 commercial vehicles, of which 30 per cent were exported to various European countries.

The OM share of the Italian market is 40 per cent.

The OM range is particularly wide and well spaced throughout the medium and light capacity class.

1974 production: 3,000 special purpose vehicles intended for the most diverse civil and military applications, including all-wheel-drive cross-country vehicles, amphibious vehicles for crash tender and fire appliance use, etc.

1974 production: 10,300 commercial vehicles, of which 30 per cent were exported to the principal European markets, to French-speaking African countries, and to the Middle and Far East.

On the French market, Unic-Fiat penetration is over 18 per cent in the heavy vehicle class.

1974 production: 14,000 trucks and buses, of which 60 per cent were exported to 50 countries.

Particularly outstanding is the production of all-wheel-drive site-operating vehicles (of which Magirus-Deutz holds 25 per cent of the German market) and also of fire-fighting appliances, of which Magirus-Deutz is the largest producer in Europe.

—1975—				—1975—				—1975—				—1975—			
Stocks and	Sis.	Net		Stocks and	Sis.	Net		Stocks and	Sis.	Net		Stocks and	Sis.	Net	

(Continued on Page 10.)

... ..

January, 1975

Japan Reports Surplus Trade During Month

TOYO, April 15 (AP-DJ)—Japan's trade with the rest of the world was in surplus for the first time in 18 months, according to a report by the Ministry of International Trade and Commerce.

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Profit Gains Rio Tinto Mining Year

PARIS, April 15 (AP-DJ)—Rio Tinto's profits for the first quarter of 1975 were up 18.7 per cent from the same period last year, according to a report by the company.

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FINANCIAL NEWS AND NOTES

Du Pont Sees 83% Slide in Net

PARIS, April 15 (AP-DJ)—Du Pont's net income for the first quarter of 1975 fell 83 per cent from the same period last year, according to a report by the company.

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PARIS, April 15 (AP-DJ)—The French government has decided to increase the price of oil by 18 per cent, according to a report by the Ministry of the Economy.

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Inventories In U.S. Cut By \$1.5 Billion

WASHINGTON, April 15 (AP-DJ)—U.S. business inventories were cut by \$1.5 billion in the first quarter of 1975, according to a report by the Commerce Department.

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Heavy Buying in N.Y. Absorbs Profit-Taking

NEW YORK, April 15 (AP-DJ)—Heavy buying in the New York Stock Exchange today absorbed profit-taking from the previous day's gains.

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Most active was Kaiser Industries, which gained 1 1/2 to 3 on 155,900 shares traded.

In Chicago profit-taking in the closing minutes set off a wave of stop-loss selling as prices declined on the Board of Trade.

Wheat futures closed with a loss of up to 13 cents a bushel.

Corn futures fell in the last few minutes, closing about 4 cents lower.

The Federal Reserve Board said output of consumer goods rose for the first time in March since last summer, largely because of a big increase in automobile production during the month.

But the 1-per-cent decline in output of capital goods, mines and utilities meant that industry was producing 12.1 per cent less in March than it was a year earlier.

The industrial production index in March stood at 109.6 per cent of the 1967 average of 100, down from the record production levels of 125.8 in June of last year.

The March decrease was the smallest since a six-tenths of 1-per-cent decline in October, when the current six-month slide in production began.

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Company Reports

BankAmerica		1975	1974
First Quarter			
Revenue (millions)	\$65.8	\$55.1	
Profits (millions)	\$9.5	\$0.9	
Per Share	\$0.95	\$0.80	
Second Quarter			
Revenue (millions)	\$68.0	\$55.3	
Profits (millions)	\$0.95	\$0.80	
Per Share	\$0.95	\$0.80	
Bankers Trust New York		1975	1974
First Quarter			
Revenue (millions)	\$21.4	\$17.8	
Profits (millions)	\$2.04	\$1.70	
Per Share	\$2.00	\$1.65	
Second Quarter			
Revenue (millions)	\$21.4	\$17.8	
Profits (millions)	\$2.04	\$1.70	
Per Share	\$2.00	\$1.65	
General Electric		1975	1974
First Quarter			
Revenue (millions)	\$2,979.1	\$2,909.3	
Profits (millions)	\$44.1	\$22.3	
Per Share	\$0.41	\$0.87	
Xerox		1975	1974
First Quarter			
Revenue (millions)	\$97.0	\$83.0	
Profits (millions)	\$2.5	\$8.3	
Per Share	\$1.04	\$0.99	
Koppers		1975	1974
First Quarter			
Revenue (millions)	\$21.5	\$18.6	
Profits (millions)	\$3.6	\$3.3	
Per Share	\$1.45	\$1.08	
Pepsico		1975	1974
First Quarter			
Revenue (millions)	\$46.2	\$43.2	
Profits (millions)	\$5.2	\$4.9	
Per Share	\$0.68	\$0.63	

INTERNATIONAL COMMODITY SHARE FUND "ICOFUND"

Société Anonyme
Registered Office
LUXEMBOURG
23 Avenue de la Porte-Neuve.
R.C. 87942

ANNUAL GENERAL MEETING OF SHAREHOLDERS NOTICE IS HEREBY GIVEN

that the annual general meeting of the Company will be held at 23 Avenue de la Porte-Neuve, Luxembourg, on April 22nd, 1975, at 11 a.m. for the following purposes, namely:

- To receive and adopt the reports of the Directors, statutory auditor and auditors;
- To adopt the financial statement and the profit and loss account as at December 31, 1974;
- To appropriate the earnings;
- To approve the transfer to the Fund of the results of the Repurchase Company's transactions on the sales and redemptions of shares;
- To discharge the Directors and Auditor;
- To transact any other business.

In order to attend the Meeting, the Holders of Bearer shares are requested to lodge their shares five days before the Meeting with one of the undermentioned financial institutions. The shares will remain on deposit until the day following the date of the General Meeting:

- Banque de Paris et des Pays-Bas pour le Grand-Duché de Luxembourg in Luxembourg;
- Banque de Paris et des Pays-Bas in Paris, Geneva, Brussels, London and Amsterdam;
- Banque Commerciale Italiana: head office and branches.

The Board of the Directors.

SIEMENS

Warrants Attached to Our
5 1/2 % U.S. Dollar Bonds Due 1979
Adjustment of the Option Price

Holders of the warrants are hereby advised that, pursuant to a capital increase effected by Siemens Aktiengesellschaft under a Managing Board's and Supervisory Board's resolution, which in turn is based on a shareholders' resolution of March 20, 1975, the option price for each ordinary share of Siemens AG in the nominal amount of DM 50 to be purchased by exercise of the warrants will be reduced to

DM 225.58

effective April 22, 1975.
Warrants are not exercisable from April 16 to April 21, 1975, both days inclusive (Article 2 of the Conditions of Warrants).

Willemstad, Curaçao, April 1975.

SIEMENS WESTERN FINANCE N.V.
The Managing Directors.

GLOBAL NATURAL RESOURCES PROPERTIES LIMITED SHAREHOLDERS

To obtain
Latest Annual Report
or make enquiries
about the Company

Please write:
GNRP Shareholder Services Limited,
25-27 Regency Square, Brighton, Sussex BN1 2PL, England.

'FINE ART INVESTMENT FUND' Is now open for subscription

Fine Art Investment Fund is the first of its kind... a unique closed end investment fund which has been established to enable investors to participate in an expertly selected investment collection of fine art. The Fund is limited to 4,000 units of only £1,000 each with a minimum subscription of one unit.

Trustees: Michael Bannister, Trust Corporation (Group) Limited,
Permanent Adviser to the Trustees: Sir John Robinson, C.B.E.
(For twenty-six years director of the world famous Tate Gallery, London.)

Full literature and application forms from the Managers,
Arts Investments International Management Limited, P.O. Box 172,
Bosley and Law House, St. Helier, Jersey, Channel Islands.

(Commissions of 1 1/4 % will be paid to recognised Agents.)

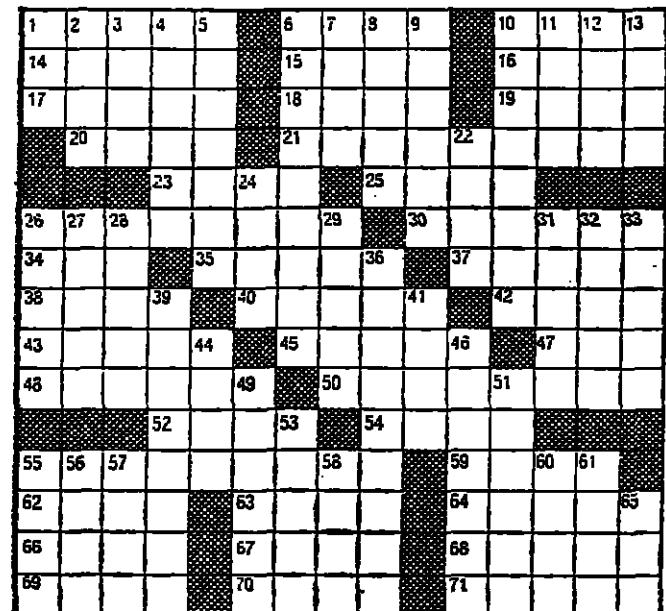
New York Stock Exchange Trading

[illegible]

CROSSWORD

By Will Weng

- ACROSS**
- Roman 261
 - Horse or rider in Porter novel
 - Feather: Prefix
 - Trojan king
 - Age
 - Comedian Johnson
 - Tropical plant
 - Reunion figure
 - Inlets
 - Blow one's horn
 - Chaplin movie
 - Amaz
 - Paula and Miguel
 - Polish dances
 - Some bridge bids
 - Chemical suffix
 - New Mexico's
 - Dower
 - Brazilian port
 - Corn remnants
 - Nut
 - Foot or grace
 - To the point
 - La Douce et al.
 - Western Indian
 - One doing modeling
 - Limited-use agreement
- DOWN**
- N.C.O.
 - Corn bin
 - Truth-stretcher
 - Site of Kubla Khan's pleasure dome
 - Ornate writing opus
 - Leocavallo
 - Atmosphere: Prefix
 - Make beloved
 - Capital Frenchman
 - Branch of math
 - Eskimo settlement
 - "God — you merry..."
 - Kind of shark
 - Arctic bird
 - Parrot
 - Positive
 - Electrode
 - Veld animal
 - Make a TD
 - Keep in a memory bank
 - Devoured
 - Weather word
 - Subject of SALT sessions
 - Angels
 - Space agency
 - Ancient Asian
 - Navigator's aid
 - People in a Sheridan comedy
 - Snow White's appraiser
 - Blue and White
 - Seize
 - Opera's Stevens
 - Proceedings
 - U.S. cartoonist
 - German article
 - Counting-out word
 - Organization: Abbr.



WEATHER

	C	F		C	F	
ALBANY	16	61	Overcast	MADRID	50	62 Cloudy
AMSTERDAM	17	62	Rain	MILAN	51	63 Overcast
ANKARA	18	63	Cloudy	MONTREAL	7	45 Cloudy
ATHENS	19	64	Cloudy	MOSCOW	6	43 Cloudy
BEIRUT	20	65	Cloudy	MUNICH	8	46 Cloudy
BELGRADE	20	68	Fair	NEW YORK	8	46 Showers
BERLIN	12	35	Showers	NICE	16	61 Cloudy
BRUSSELS	11	32	Showers	OSLO	7	45 Cloudy
BUDAPEST	12	34	Cloudy	PARIS	10	50 Overcast
CABO	6	32	Unavailable	PASADENA	12	54 Overcast
CASABLANCA	18	64	Fair	ROME	15	59 Cloudy
COPENHAGEN	19	66	Rain	ST. LOUIS	10	50 Cloudy
COSTA DEL SOL	22	77	Cloudy	STOCKHOLM	6	43 Cloudy
DELRAN	11	32	Cloudy	TOKYO	—	Unavailable
EDINBURGH	12	34	Overcast	TEL AVIV	—	78 Fair
FLORENCE	11	32	Overcast	TENNESSEE	18	64 Overcast
FRANKFURT	11	37	Rain	VENICE	16	61 Cloudy
GENEVA	12	54	Rain	VIENNA	17	61 Cloudy
Helsinki	12	34	Cloudy	WARSAW	10	50 Cloudy
ISTANBUL	18	64	Cloudy	WASHINGTON	8	46 Cloudy
LAS PALMAS	20	68	Cloudy	ZURICH	11	52 Rain
LISBON	11	34	Cloudy			
LONDON	11	32	Rain			
LOS ANGELES	12	34	Showers			

(Yesterday's readings. U.S. Canadian at 1700 GMT others at 1200 GMT.)

Yesterday's readings: U.S. Canada
at 1700 GMT; others at 1200 GMT.

INTERNATIONAL FUNDS

ADVERTISEMENT

The net asset value quotations shown below are supplied by the Funds listed. The International Herald Tribune cannot accept responsibility for them. Following marginal symbols indicate frequency of quotations supplied for the 1974 (1)-(4) daily; (5)-(7) weekly; (8)-(10) irregularly.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Am. Express Int'l Fd.	\$6.01									
Am. Express Int'l Fd. (I)	\$6.01									
Am. Express Int'l Fd. (II)	\$6.01									
Am. Express Int'l Fd. (III)	\$6.01									
Am. Express Int'l Fd. (IV)	\$6.01									

BANK JULIUS BAER & CO.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Am. Express Int'l Fd.	\$6.01									
Am. Express Int'l Fd. (I)	\$6.01									
Am. Express Int'l Fd. (II)	\$6.01									
Am. Express Int'l Fd. (III)	\$6.01									
Am. Express Int'l Fd. (IV)	\$6.01									

CAPITAL INVESTMENT S.A.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Am. Express Int'l Fd.	\$6.01									
Am. Express Int'l Fd. (I)	\$6.01									
Am. Express Int'l Fd. (II)	\$6.01									
Am. Express Int'l Fd. (III)	\$6.01									
Am. Express Int'l Fd. (IV)	\$6.01									

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JARDINE SELECTION

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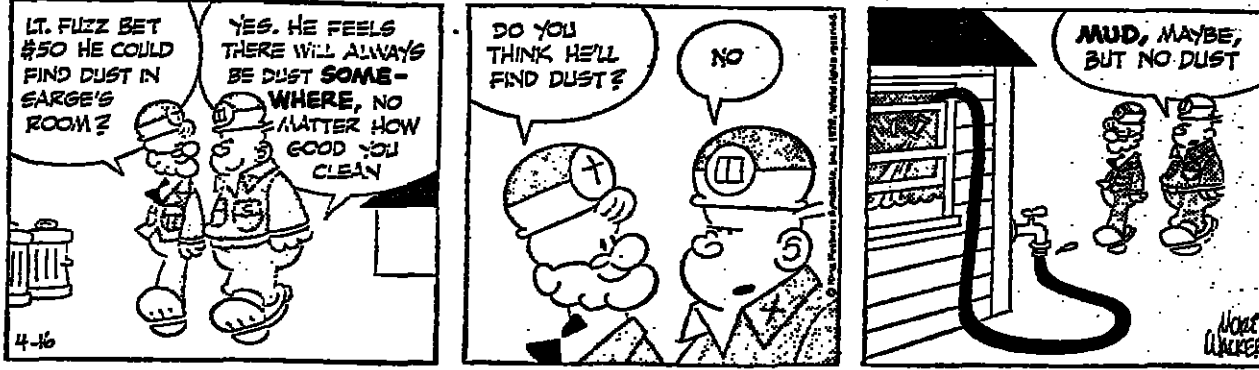
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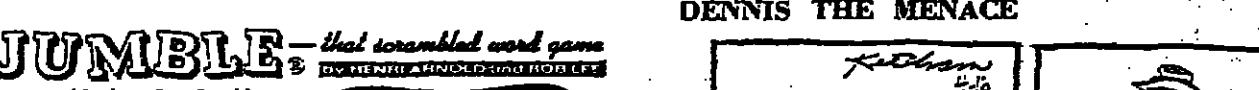
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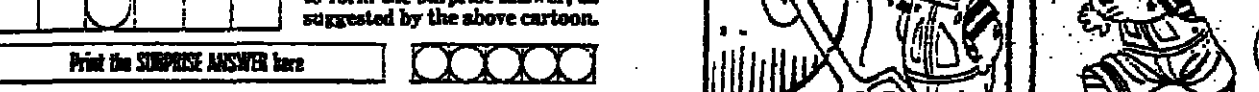
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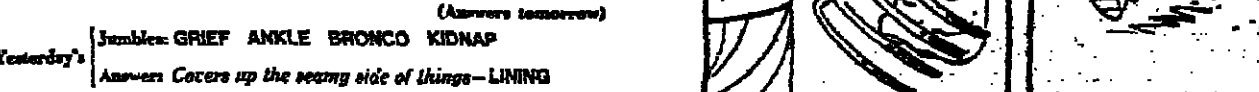
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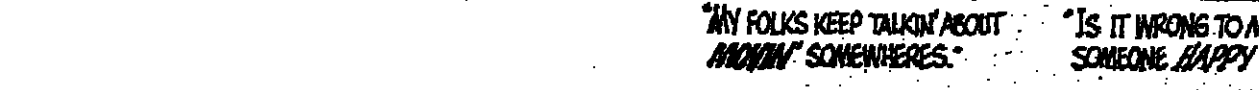
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BRIDGE



BOOKS

ANOTHER PART OF THE WOOD
A Self-Portrait

By Kenneth Clark. Harper and Row. 287 pp. Illustrated.

Reviewed by Christopher Lehmann-Haupt

TYPICAL of the almost infuriating modesty with which the English art critic and historian Kenneth Clark describes his life's progress in "Another Part of the Wood: A Self-Portrait" is the account of his service as director of the National Gallery, in a chapter called, typically enough, "Innocents in Clover." Having first forewarned us of his lack of wisdom in accepting the position at the age of 30, and then enumerated his disqualifications for the job ("I knew nothing of administration, nothing of finance or fund raising, nothing of how to deal with government departments"), he then proceeds to describe the shambles he made of his duties. He won the respect and affection of his board of trustees, which included, among others, the Prince of Wales, Sir Philip Sassoon and Lord Duveen. He acquired for the gallery such masterpieces as Rubens' "Watering Place" and Rembrandt's "Saskia as Flora" and "Mrs. Tripp." Jerome Bosch's "Crowning with Thorns," Ingres' "Madame Molester," Poussin's "Golden Call," and four scenes from the "Life of St. John the Baptist" by Giovanni Di Paolo, and all on grants that never exceeded \$7,000 (\$16,800 a year).

He and his wife, Jane, ascended to the stratosphere of England's most exalted social gatherings, there to grace the tables of such hostesses as Sybil Colster, Lady Cunard and Maggie Greville. And he befriended the unapproachable and suspicious Armenian oil titan, Calouste Sarkis Gulbenkian, and wrestled from him a commitment to build an annex to the gallery in which he would house his great collection (through no fault of Clark's, this commitment was never fulfilled).

Truly a disaster, this reign of incompetence. To be dismissed by yet another "serious mistake," in which Clark finally accepted — nay, was ordered by King George VI to accept — the additional position of keeper of the King's pictures. What was it, the reader wonders, that could have qualified Kenneth Clark for such advancement? Oh, yes: "I was an esthete and art historian, and my only thought was to buy some good pictures for the gallery, and to re-hang certain rooms." Of course, it may be psychological pressure that makes it necessary for Kenneth Clark to downplay his talent and upgrade

Christopher Lehmann-Haupt
a book critic for The New York Times

Best Seller

The New York Times
This list is based on reports
more than 250 bookstores in 110
counties throughout the United States
Weeks are not necessarily consecutive

This Week	Last Week
1. The Moneychangers, by Arthur Hailey	1
2. The Seven-Per-Cent Solution, edited by Nicholas Meyer	2
3. The Promise of Joy, by Allen Drury	3
4. Lady, by Thomas Type	4
5. The Sunday, by Thomas Harris	5
6. The Sunday, by Thomas Harris	6
7. The Sunday, by Thomas Harris	7
8. The Sunday, by Thomas Harris	8
9. The Sunday, by Thomas Harris	9
10. The Sunday, by Thomas Harris	10

GENERAL	1	2	3	4	5	6	7	8	9	10
1. The Sunday, by Thomas Harris										
2. The Sunday, by Thomas Harris										
3. The Sunday, by Thomas Harris										
4. The Sunday, by Thomas Harris										
5. The Sunday, by Thomas Harris										
6. The Sunday, by Thomas Harris										
7. The Sunday, by Thomas Harris										
8. The Sunday, by Thomas Harris										
9. The Sunday, by Thomas Harris										
10. The Sunday, by Thomas Harris										

BRIDGE

By Alan Trust

The diagramed deal from one of the matches of the recent Lancashire tournament in New York offers some interesting possibilities. South reached five clubs after making a pre-emptive opening bid. The opening lead of the diamond king was ruffed in the dummy.

The king of hearts was led, and East gave the declarer considerable help by refusing to play his ace. If he had covered, South would have ruffed and led the diamond with the club king.

After discarding his last diamond on the heart queen, South would be in the dummy in this tricky position:

NORTH	EAST
♠ A J 9 4 2	♠ K 8
♥ K Q 10 6 5 3	♥ K 8
♦ —	♦ —
♣ —	♣ —

WEST EAST
♠ K 5 ♠ Q 6 3
♥ — ♥ 8 7
♦ Q 9 7 3 ♦ A 10
♣ J 10 7 ♣ 6

SOUTH NORTH
♠ 10 8 7 ♠ 10 8 7
♥ — ♥ —
♦ — ♦ —
♣ A Q 9 5 4 3

Neither side was vulnerable. The bidding:
South West North East
3 ♣ Pass 3 ♥ Pass
4 ♣ Pass 5 ♣ Pass
Pass Pass
West led the diamond king.



FOCUS ON WEST GERMANY, 1975

Despite Burgeoning Power and Influence, Helmut Schmidt, at Home, Is on the Run

A Special Report

Focus on Germany, 1975, will have three parts. These are some of the highlights of the presentation:

PART ONE

Politics

John Dornberg examines the chancellorship of Helmut Schmidt, its successes and its failures as it prepares for a national election next year.

Economy

In Germany, everybody is convinced that the economy is in the upswing, but the key question is: When?

East-West Trade

A significant aspect of the German economy and détente relates to its trade with the East. How big is it? Who are its trading partners? What is the outlook now and for the future?

Trade Unions

Andrew Hargrave reports on the trade unions' attitude in the recession and their scaled-down demands.

The EEC

David Haworth traces Germany's tactics with its Common Market members and the change in its outlook when the EEC first started.

Berlin

Despite its problems, Berlin is faring well after the Four Power agreement.

PART TWO

Making

The overriding development in German banking was the failure of Herstatt, a failure that is likely to have a profound effect on German banking. Interviews with Oskar Rumming and other important bankers.

The securities markets, after a week 1974, have rebounded and show signs of making good progress.

Industry

A run-down of the prospects for the major industries, automotive, steel, machinery, chemicals, building, aviation, electronics and textiles.

Exports

One of the major factors in many of the industries is the export market. In some cases, the economy has regained some of the domestic market, but exports are still off.

PART THREE

Energy

Andrew Hargrave takes a thorough look at the energy picture. In addition, he examines sources of energy, how they are to be developed and researched.

Individual stories cover oil, and the effect price increases have had on Germany; gas, and the search for reliable sources; clean energy, and efforts to increase its use; and coal, still stand-by in energy, and electricity. Other stories concern research and development and financing energy measures.

Regional Development

Aspects of Germany's regional growth, and its problems.



Chancellor Helmut Schmidt

State of the Economy: Upwards, but When?

One believes (when listening to discussions of the German economy) that he has wandered into a veterinarian's office. "The horses stand at the trough but don't drink," it is said. Or, "the first swallow has fallen." Economic analysis makes use of flowery speech. By "fallen swallow" is meant a computational error by the Federal Statistics Office.

—Manfred Lahnstein, ministerial director, Finance Ministry, in a recent article.

By William Castle

BONN (UPI)—The exotic verbal flowers that bloom in this spring's debate on the German economy shouldn't obscure one fact: The argument isn't over whether the domestic economy will turn upwards, but when.

The difference between optimists and pessimists is about six months at the outside.

After a tough but successful two-year battle against the inflation that visited itself upon most of the rest of the industrialized world, Germany has switched to a policy of deflation, with the aim of reducing unemployment, stemming the soaring insolvency rate and boosting exports of its trading partners.

Interest rates are down sharply from 1974, money is flowing into the economy through a combination of tax cuts, deficit government spending and the release of previously frozen central bank bonds and businessmen are receiving 7.5-per-cent government bonuses for capital investment.

Chancellor Helmut Schmidt sees an economic upswing by early this summer, while some, perhaps more disinterested, observers place the upturn in the fall or early next year. But almost everyone agrees that the domestic economy is upward bound.

Spring Swallow

The vocabulary of the current economic dialogue owes much to Schiller—not the 18th-century poet Friedrich von Schiller, but the articulate former economics and finance minister, Karl Schiller. It is Mr. Schiller who is credited with popularizing the term "valley floor," meaning economic low point, and the image of horses—figuratively businessmen—crowded indecisively around a trough of economic incentives. Other phrases like "spring swallows," meaning favorable early economic statistics, are of recent coinage.

The "spring swallows" that encourage many observers to believe Germany has already begun to "cross the valley floor" and will be "over the mountain" by early summer aren't hard to spot, even if, as Mr. Lahnstein indicates, they occasionally may be shot down

by discovery of a computational error or by statistical revision.

Unemployment has come down somewhat from the 16-year high of 5.2 per cent of the work force, or 1,183,500 persons, posted in February. The Federal Labor Office said joblessness dropped in March to 1,114,000, persons, or 4.9 per cent of the work force. The month-to-month decline was the first in eight months.

Secondly, seasonally-adjusted orders to the manufacturing industry (Continued on Page 21a)

A Message From President Scheel

WHEN difficulties occur, they show the worth of friendships between human beings and nations. In view of the current world situation the partners in the Atlantic Alliance need each other more than ever.

The United States of America has remained faithful to the Federal Republic of Germany since its foundation and helped it in very difficult times. The United States has never left any doubt that it will stand by its commitment to guarantee our external security. We have every reason to believe that this will not change.

For our part, the Federal Republic of Germany will be found on the side of the United States whenever it needs its friends.

My country, as well as all of Western Europe, needs the United States. Anyone who argues differently indulges in dangerous illusions. Europe and America depend on each other. It is thus, in my opinion, the natural consequence of the current difficulties that we jointly try to strengthen and deepen the Alliance.

The Atlantic Alliance will best be strengthened if Europe unites. The United States and a united Europe, linked to Atlantic partnership, will be strong enough to maintain in peace the position of the Western democracies.

In Atlantic togetherness we shall also be free to dedicate our still enormous intellectual reserves and economic power to

By John Dornberg

BONN (UPI)—In the scant year since taking over from Willy Brandt, West German Chancellor Helmut Schmidt has won an international reputation that is the envy of most statesmen and politicians.

Headline writers call him "Superschmidt." Diplomats are dazzled by him. And the consensus is that he is the political leader of Western Europe.

In the European Community he has assumed the role of mediator between London and Paris for British renegotiation of its membership terms in the EEC.

Despite initial coolness and skepticism, his pragmatism, self-confidence and frankness have won the grudging respect of the Soviets.

He has established an excellent rapport with President Gerald Ford of the United States.

Thanks largely to his astute economic and fiscal management, the Federal Republic today has the lowest inflation rate of any industrialized Western nation, unemployment seems to have peaked at just about five per cent, and for the past month there have been signs of better times to come.

The deutsche mark is the strongest and most stable currency in the world. The Federal Republic last year recorded its biggest balance-of-payments surplus ever—DM 50.8 billion marks.

And for the past few weeks foreign investors from all over the globe have been buying West German stocks and shares at a rate that has brokers' heads spinning.

On the Run

Yet, in spite of Germany's burgeoning power and influence, the Chancellor's international prestige and the self-confidence and composure he exudes in speeches and interviews, Helmut Schmidt at home is a politician on the run who has been unable to stem the tide of impending disaster for his left-liberal coalition government of Social and Free Democrats (SPD-FDP).

In a series of state elections since last October, both parties have been roundly trounced while the opposition Christian Democrats (CDU-CSU) have scored some of the most spectacular successes in their history.

In Hesse and West Berlin, both traditional strongholds of the SPD for the past 25 years, the CDU emerged as the most powerful, albeit not yet the ma-

jority, party. In conservative, predominantly Catholic Rhineland-Palatinate, the CDU increased its 50-per-cent share of the popular vote to 54 per cent last month.

And in Bavaria, long somewhat of a private preserve of the Christian Democrats, the CSU even came within a few percentage points of a two-thirds ma-

jority and now controls 133 of 204 seats in the state legislature. The SPD has even lost its monopoly hold on the big cities, for the Christian Democrats emerged victorious in such disparate urban centers as Munich, Frankfurt and Stuttgart.

In fact, according to an opinion poll conducted by the Allensbach Institute in March, were a na-

tional election to be held immediately, the CDU/CSU would come to power with a comfortable margin.

It would win a clear majority of 52, the SPD only 41 and the FDP a meager 6 per cent, or barely enough to warrant its seating in the Bundestag where a party, to be represented at all, must obtain at least 5 per cent of the popular vote.

1976 Election

Fortunately for the coalition, it does not have to go to the people on a national scale now. It has a comfortable cushion of 46 seats in parliament and a legal mandate until the fall of 1976. By then the picture could certainly change.

But before then it will have to face several crucial state tests.

The most crucial of all will come on May 4 in Northrhine-Westphalia where SPD and FDP govern in an uneasy and often strife-torn coalition that has but a five-seat margin in the state legislature.

The outcome of that contest will be decisive and may well determine the course of German politics over the next few years, for Northrhine-Westphalia is not only West Germany's largest state, with more than one-fourth of the Federal Republic's total population, but it is also the most industrialized and typical.

It is a microcosm of the country as a whole and it is there that the issues gnawing at the SPD-FDP's popularity—industrial recession, unemployment, educational experiments, political terrorism, the rising crime rate and a catalogue of promised but stymied reforms—loom largest.

"If we lose there," a young SPD Bundestag deputy confided glumly the other day, "everything is lost."

And the prospects of winning, though improved during the last couple of weeks, are not yet auspicious. The threat to the coalition is less that the SPD may suffer a significant loss than that its junior partner, the FDP, which barely made it over the five-per-cent hurdle in the last state election in 1970, may not be returned to the parliament in Dusseldorf at all.

A 'Surprise'

To outside observers who tend to view West Germany as an island of economic stability and affluence, social security and political moderation in a worldwide sea of crisis and chaos, all this comes as a surprise and seems difficult to understand.

As Willy Brandt, still and for the foreseeable future the leader and chairman of the SPD, put it at a recent party conference in Recklinghausen: "The whole world recognizes what we have achieved, but the trouble is that people in this country are not yet aware of it."

The situation is complex and indeed hard to explain.

(Continued on Page 16a)

Willy Brandt, former chancellor and head of the Social Democrats.

East-West Trade—Moving Into High Gear

By John Dornberg

FRANKFURT (UPI)—When West German trade with the Communist countries first began stirring about two decades ago, it was cloaked in an aura of skepticism and disrepute.

There was something about it that seemed not only onerous and sinister, but also risky.

While some foreign observers hinted darkly at a new German *Drang nach Osten*, others expressed the fear that it could eventually throw the Federal Republic into the clutches of the Soviet Union and the Soviet bloc.

In West Germany itself, feelings were decidedly mixed. Whereas some industrialists and policy-makers talked glowingly of golden opportunities lying just east of the Elbe, others equated the emerging deals to "trading with the enemy." Quite a few simply dug in their heels, arguing that the "Russians can't be trusted and, besides, they can't pay."

An 'Apology'

Sensitive to foreign fears and suspicions, officials in Bonn seemed only too ready to apologize for the overtures by explaining that the countries of Eastern Europe had traditionally been "our neighbors and principal customers."

And they seemed equally anxious to play down the importance of it all.

"In the context of the overall picture, it's rather meaningless," a senior adviser to Ludwig Erhard, then Bonn's minister of economics, once rushed to assure a U.S. correspondent.

After all, in 1938 German trade with the East represented 18 per cent of the total. Nowadays it accounts for a scant four. That is insignificant. And even if it were to double it would make little difference. We don't need new markets and the trade we have with Eastern Europe is of peripheral interest to us. It will continue to be so, unless they can offer something in exchange which we really need.

Today such apologies for Bonn's burgeoning trade with the Soviet bloc are no longer necessary. On the contrary, what West Germany started in the postwar

period has become more than respectable. It has been emulated, by virtually every other industrialized country.

Indeed, if anything sets the Federal Republic apart, then it is that its pioneering role in East-West trade provided a head start and has left West Germany the virtually unchallenged leader in a field attracting an ever larger number of powerful competitors.

Trade Partners

The Federal Republic today is the Soviet Union's principal Western trade partner and the second largest, after the Soviet Union itself, of Poland, Romania, Hungary, East Germany and Yugoslavia.

Although its trade with the Communist countries still represents only 6 per cent of West Germany's worldwide total, the

(Continued on Page 18a)

West Berlin's Situation Still a Test for Détente

By Alan Tiller

WEST BERLIN (UPI)—There is again a sense of unease about the city's future following the traumatic kidnapping of the Christian Democrat leader Peter Lorenz and the inconclusive elections for the Senate which took place in the middle of the kidnapping drama a month ago.

The SPD (Social Democrat party) lost its absolute majority in the poll and will now have to rule in coalition with the Free Democrats (FDP). Socialist Mayor Karl Schlueter has been preoccupied since the election with hammering out coalition arrangements with the FDP which wants three seats in the Senate, the city's government.

He has not only called the election result disappointing but has added he sees no sign of the tide against the Socialists turning. It is obviously going to be much tougher for him to govern West Berlin.

The Lorenz affair has led also to a minor crisis within the ranks of the 18,000-strong West Berlin police force and renewed criticism has been leveled at the young police chief Klaus Huebner.

Charges of laxness had been made against him before the kidnapping and now the police are being accused of not doing enough to find supporters and sympathizers of the extreme leftist kidnap gang.

At the same time, there is new concern over the role and influence of Marxist teachers at the big Free University, Senator Hubert Humpfrey and a group of fellow senators caught the local mood when they were in the city last week and questioned Mayor Schlueter on this.

The new factor which offsets to some degree the city's worried

(Continued on Page 25a)

Politics

'The Opposition Is Coming Up With... Visions Of Doom'

(Continued from Page 15a)

Partially it is rooted in the specific German historical experience.

Germany is a country where recollections of runaway inflation in 1923, bread lines and mass unemployment following the 1933 crash, and the rise of political extremism leading to the Nazi dictatorship are still vivid and kept alive.

Any inflationary or joblessness rate and any manifestation of political radicalism, be they ever so slight or insignificant, are bound to be viewed through the magnifying glass of that history and to loom larger than elsewhere.

Because they do, they also lend themselves to lucrative political exploitation by the "outs" at the expense of the "ins."

Little Solace

Moreover, it is only logical that the West Germans take little solace from the knowledge that other people in other countries are worse off than they.

The man in Bochum or Wuerzburg who has just lost his job or gone on short time finds no consolation in the news that the unemployment rate in Detroit or Seattle is twice as high. And those who have seen inflation whisk away their savings are not inclined to calculate that their losses would have been even greater had they invested in lire or pounds.

But there is more to it than that.

The Christian Democrats, after 20 years in power during which they guided West Germany's rise from the ashes of defeat and came to regard themselves as the incarnation of the state itself, still cannot fully accept the fact that they no longer constitute the government.

They tend to regard the SPD and FDP as usurpers who wrested power extra-legally from the "postwar ordained," not as a coalition that has twice won a legitimate mandate from the people.

They have used every tactic in the book and then some to obstruct passage of the coalition's program and to bring the SPD-FDP government down.

Lacking the votes in the Bundestag with which to block legislation, they consistently veto

it in the Bundesrat, the upper house, where they do have a majority and will have an even larger one should the SPD-FDP lose in Northrhine-Westphalia.

The vetoes can always be overridden, of course. But this is a painstaking, time-consuming procedure that requires the strictest caucus discipline in the Bundesrat and eventually wears on the stamina and nerves of the governing parties trying to enforce it.

And once measures have been passed, the opposition has challenged their constitutionality in the supreme court at Karlsruhe where at least one of the two chambers is composed of judges loyal and sympathetic to the CDU/CSU.

The most recent example of this was the abortion-on-demand act, struck down as unconstitutional by the court last February, although virtually every opinion survey reveals that it was favored by almost 60 per cent of the voting public.

The results of this parliamentary maneuvering and obstructionism are twofold.

The coalition, first of all, is made to appear inept, indecisive and incapable of governing and implementing its policies.

Secondly, the impression is created that what the coalition does do is extra-legal, inimical to the public interest, the act of an usurpative minority imposing its will on the majority and, in the case of Ostpolitik, acceptance of the Oder-Neisse border with Poland and de facto recognition of East Germany, quasi-treasonous.

No Program

The CDU/CSU offers no constructive criticism or alternative program to those SPD-FDP policies and actions of which it disapproves.

In fact, it was specifically advised not to by its Bavarian strongman Franz-Josef Strauss during a secret and highly controversial speech at a CSU strategy and tactics conference in the Alpine resort town of Sonnhofen last November.

Mr. Strauss recommended that the CDU/CSU should let the economic situation worsen and allow the government coalition to stew in the juice of economic and financial crisis before offering any remedies.

To add to its problems, the SPD must contend with the fears and instability of its junior partner, the Free Democrats.

The FDP under its new leader Hans-Dietrich Genscher is neither the party nor the partner it was under Walter Scheel, whose election to West Germany's ceremonial presidency last year dictated his retirement from partisan politics.

"The public," he allegedly said, "is not generally aware enough, or if you prefer, has not been shocked enough to accept the recipes that we should recommend."

"It is better for us to accept further inflation, further increases in unemployment and further chaos in state financing than to apply what we consider the essential recipe."

"We must get the controversy down to the basics. In this respect we cannot create enough general confrontation... Let's just attack and issue warnings, but not spell out our recommendations..."

Der Spiegel Report

The Sonnhofen speech, the essential details of which were divulged by the news magazine Der Spiegel last month, shocked even Mr. Strauss's most ardent supporters within the CDU/CSU because of the Machiavellian ruthlessness of his concepts.

Its disclosure may well have put the final crimp into the ambitions of this most dynamic and power-hungry German politician. Be that as it may, the decision will probably be reached in June when the CDU nominates its candidate for the chancellorship at a party convention in Mannheim.

But the fact remains that the CDU was employing the Straussian tactics long before anyone knew he had recommended them. And despite its protestations of dissociation from Mr. Strauss's approach, it continues to use them.

It paints every problem—inflation, recession, unemployment, crime, terrorism and attempts at social reform—in varying shades of black.

As Heinz Knehn, the SPD's national vice-chairman and prime minister of Northrhine-Westphalia put it several weeks ago: "The opposition is coming up with apocalyptic visions of doom and seeks to cash in on fear and defamation. There is a fear-processing corporation with limited liability."

And its message is getting across.

Not Blameless

All this is not to say that the SPD and FDP are blameless for their situation and waning popularity.

Chancellor Schmidt's management of the economic crisis, with the help of his able ministers of finance and economics—Hans Apel and Hans Ehard—has been admirably skillful to the point of brilliance. But the simple fact remains that inflation, though leveling, continues at more than 6 per cent. There are now 1.114 million unemployed and another 900,000 on short time.

Mr. Schmidt, who headed the Finance Ministry himself for 22 months before becoming Chancellor last May, was instrumental in imposing the 1973 monetary squeeze of textbook tightness.

This is what kept Germany's inflation, which began over a year earlier than in other countries and well before the international energy crisis, in check and from reaching the proportions it has elsewhere.

When recession and unemployment began hitting, he unveiled a "change of course" program designed to stimulate the economy and internal demand in the face of an expected decline in foreign orders.



Hans Dietrich Genscher

That program, unveiled last December, provides 600 million marks in government subsidies to companies that make jobs available to the unemployed before May 1 and is designed to bring 300,000 of the 1.3 million jobless back on the payroll. Another 1.1 billion marks has been earmarked for direct investment to stimulate the building trades, hardest hit of all by the slump.

Most important, the government has set aside 7 billion marks to pay any company 1.5 per cent of the installed costs of new capital equipment, if ordered before the end of June.

Mr. Schmidt called all this a "policy of the steady hand." But thus far, it appears too steady, for it has failed to nudge the economy off dead center. Industrialists remain immersed in a syndrome of impending doom and contend that the government has not yet slackened the reins sufficiently.

There have also been some momentous blunders, the biggest of all being the tax reform (seconded and voted for by the opposition CDU/CSU, one should add) which, before it became effective Jan. 1, had been ballyhooed by the coalition as the "reform of the century" and as its most important domestic reform measure of all.

Designed to realign and simplify the entire tax structure, its aim was to alleviate the tax burden of lower and middle in-

come groups while raising that of the higher wage earners. It would actually reduce the government's tax revenues by 13 to 14 billion marks.

While child exemptions were to be abolished entirely, these would be compensated for by monthly cash allowances for each child, regardless of income.

Inequities

But the reform entailed unexpected inequities, was never properly explained beforehand and, instead of simplifying tax procedures actually complicated them.

Whatever advantages it may entail, for the average wage earner they will take some time materializing. The more immediate effect, when paychecks were handed out on Jan. 31, was to raise the withholding payments of millions of taxpayers. They will have to wait until the end of the year before getting overpaid tax returned and many will get no return at all.

Rather than paying less, the overall tax bill this year will be about 10 billion marks, or 13 per cent, higher than in 1974.

There was, understandably, a public outcry which Northrhine-Westphalia's Heinz Knehn aptly described as a "devastating echo" of anger and discontent.

Finance Minister Hans Apel, primarily responsible for authoring the reform law, admitted that "I myself was taken completely by surprise by this development." He blamed the experts of his ministry for failing to warn the public sufficiently of initial difficulties.

When asked why no one had at least run a computer test on how the reform measure would affect a sampling of 10,000 or 20,000 taxpayers, he had no reply except to say, "I feel like I've been kicked by a horse."

Symptomatic

The tax blunder, as the Hamburg weekly Die Zeit commented recently, is symptomatic of what ails the coalition government.

"It is not the coalition's willingness and determination to reform which causes public unrest and uneasiness," said the liberal paper, "but the unconcerned haste and fury to enact reforms."

"When Hans Apel admits that no one really considered the prac-



Franz-Josef Strauss, Christian Democrats' kln, who may, despite his protestations, run for ch

tical consequences of the reform for families in which both spouses work, then it strikes many people as symptomatic of what is wrong.

"Laws are passed without ever thinking about their economic consequences or the way in which they could be misused and abused to ultimately cost the taxpayer billions."

The degree of public unrest and uneasiness was conveyed succinctly to this correspondent by a young middle-class couple in the Northrhine-Westphalian capital of Düsseldorf the other day. Both are salary earners and were hit hard by the tax "reform"—to the stupendous amount of 500 marks a month.

"We have the feeling," said the husband, "that the policy of this government is to stifle initiative, to reward indolence and

lethargy, and to penalize those on the SPD's left in its youth organiza-

Those, of course, are policies of the SPD, and been since the drafting of Godesberg program in 1959 it threw Marx and socialist principles of the market

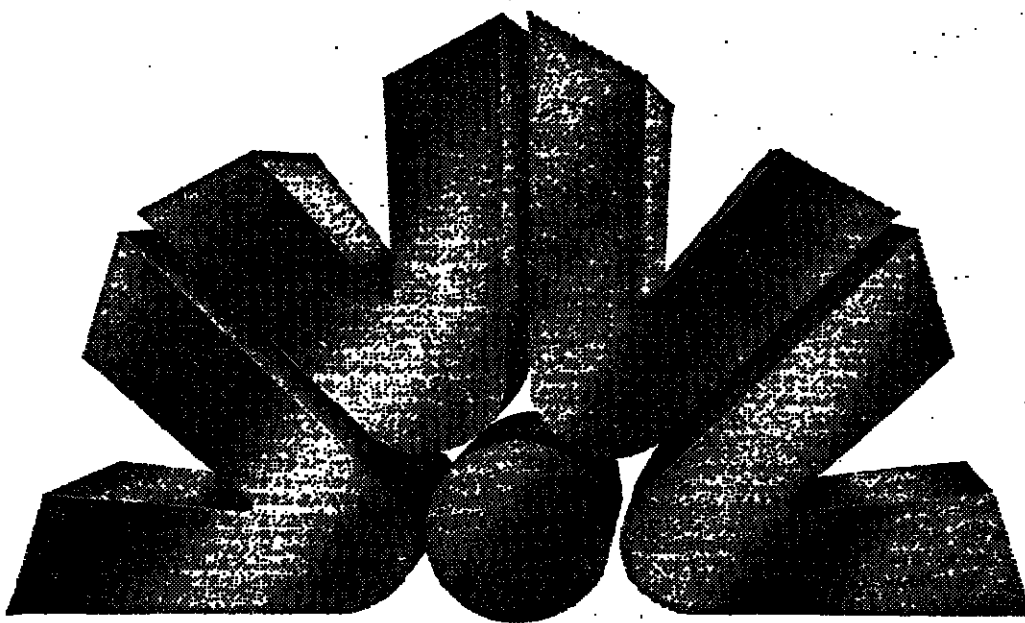
An Image

But the image lingers public mind. It is still those on the SPD's left in its youth organiza-

Jusos, who continue to militant ideals and the of class struggle. And it fully and successfully by the opposition.

While the image was drance to the SPD's succ

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Politics

Kohl Is CDU's Front-Runner Against the SPD's Schmidt

(Continued from preceding page)

ago, today it is one of its greatest threats to remaining in power.

who fear for their standard of living, their jobs and very existence, are neither to go off on tangents into political postures nor do they match patience with politicians who recommend they do want security.

the past few years there has been a general decline in the political ideologies in Germany—conservative reaction to the euphoria that gripped the nation after the SPD's victory in the election.

the SPD needs them, too, because they might defect from the party.

for some time—even before Willy Brandt's resignation—there have been disillusioned and self-confident and a political purpose.

in the midst of all this stands out Schmidt. Voters applaud the plan with which he has shed into the problems facing the country and the brusque manner in which he has shed his numerous theorists to the side.

personal prestige is high, that of his party is not. He has not been converted confidence in the SPD.

randt and Schmidt

like Mr. Brandt, who was a leader between the SPD's left and right wings and a godfather to a mass following, Mr. Schmidt from the outset has been identified with one of the wings—right. And he does not love or a sense of great respect and a little fear for the manner in which he has shed his way to top and still uses his elbows to support his policies.

Mr. Schmidt's greatest dilemma is that although he is Chancellor, the SPD is not really his party.

he problem lies in the nature of the German system, where the Chancellor and his party must be one.

The Problem

he problem lies in the nature of the German system, where the Chancellor and his party must be one.

ut with Mr. Schmidt it is difficult to see how he can succeed.

On the other hand, he can point to more practical success than the political visionary who preceded him.

"The party," as the conservative columnist Johannes Gross pointed out recently, "allows Schmidt to govern and demands that he win, but itself remains in the background. While the Chancellor fights, the company either applauds or boos."

Personalities

Yet, as Gross pointed out, Bundestag elections are fought over personalities and if the SPD wishes to retain the chancellorship, then it must become the Chancellor's party.

While Mr. Schmidt, like Mr. Brandt, was a mediator between his party's left and right wings, Mr. Genscher, like Mr. Schmidt, stands to his party's right. That shift in the balance of power was aggravated by the ascent of another right-winger, Economics Minister Hans Friderichs, to the vacant vice-chairmanship of the FDP.

Schmidt Aura

The FDP is out to establish its identity and to prevent being sucked into parliamentary oblivion by the political down-draft currently afflicting the SPD.

To do that, it pursues a two-pronged policy which is virtually stalemating the government and the implementation of its long-term programs. While it is trying to feed on the aura of strength emitted by Mr. Schmidt, it is trying to dissociate itself from the SPD and the platform on which the coalition was elected.

It has rescinded existing Cabinet compromises on certain reform legislation, notably the bill providing equal labor and management representation and co-determination on the supervisory boards of large German corporations.

This will hold back the bill for months, if not years—a delay the SPD cannot afford because the measure is one of the few of promised reform legislation which can be passed without costing the treasury.

The FDP has also thrown up obstacles to a reform bill on vocational training for youth, a sorely needed measure because of the lack of openings for apprentices. It has reneged on an original compromise measure to regulate land ownership which was intended to prevent usurious rents and land speculation.

And in foreign policy, apparently hoping to win support from those voters who still disapprove of Ostpolitik or equate it with treason, Mr. Genscher has in recent months embarked on a deliberate show-of-force, especially over Bonn's rights to Berlin. This has provoked the Soviet Union.

The Russians are so angry at some of Mr. Genscher's moves, such as insisting on West Berlin's inclusion in a variety of agreements and pushing for the establishment of the Common Market's vocational training institute in Berlin, that they are now hinting darkly of turning their attentions to the opposition CDU/CSU.

A Chance

In Bonn several weeks ago a Soviet diplomat said bluntly that the Christian Democrats might pursue "a more realistic policy toward Berlin. At least they don't have to demonstrate their patriotism and national integrity at every turn to keep from losing elections."

The curious thing about the SPD-FDP coalition's many troubles, however, is that the elections it has lost and may continue to lose, it is losing by default.

A harder look at the CDU/CSU will disclose that it really has no political or social alternatives to offer for what West Germans think is ailing the country. At least not better ones.

It has no program as such and whether that is the opposition's tactical intention or not, all it has done thus far is to criticize

and try to persuade the voter that the country is headed pell-mell toward disaster.

This was true even during the tumultuous March debate over internal security following the abduction of West Berlin CDU leader Peter Lorenz by anarchist radicals.

The Lorenz Debate

During the 15-hour-long debate one impassioned opposition speaker after the other got up to accuse the coalition government of not doing enough to prevent terrorism and crime. A number, notably Franz-Josef Strauss, contended heatedly that the SPD and FDP were sympathetic to radicals and had created a social climate of leniency in which they could flourish. They fanned the atmosphere of fear in the country by suggesting that it was on the brink of revolution, when in fact the number of known radical terrorists on the loose is a scant 100.

But there was hardly a hint of what the opposition would do, and the government has not already done, about a problem that is certainly not limited to West Germany but international in scope.

It thunders about the state of the economy, yet has been unable to pinpoint anything that Mr. Schmidt is doing wrong and certainly has no viable alternative solutions of its own.

But then, does it really need them?

As Gerhard Stoltenberg, prime minister of Schleswig-Holstein and a potential nominee for the chancellorship, admitted candidly in a recent issue of the weekly magazine Stern:

"Often it is not a question of what you do, but what you don't do. We just enjoy more public confidence than the coalition."

To capitalize on that confidence and the SPD/FDP's sinking popularity by 1976, it must however overcome the disarray and disunity within its own ranks and come up with a candidate for the chancellorship.

At present that question remains unresolved. Besides Mr. Strauss, who is the party's long-time kingmaker and insists he has no ambition to become king but wouldn't resist a draft, there is a list of choices, none of which turns on campaign managers' juices.

Kohl's Chances

Heading it clearly is Helmut Kohl, the CDU's national chairman and prime minister of the Rhineland-Palatinate, who, though he has proven himself an effective vote-getter on the local scene, is an unknown quantity nationally. His chances, however, if only by virtue of the fact that he is the party leader, are the best.

Stoltenberg runs a poor second. The poorest third is Professor Karl Carstens, the CDU/CSU floor leader in the Bundestag whose lackluster, indecisive and aloof performance in parliament has opposition deputies candidly wishing that the party's ousted and discredited leader Rainer Barzel were back at the helm.

An outside chance is also given Alfred Dregger, the leader of the CDU in Hesse who roused the SPD there and also cut a good figure as the lead opposition speaker during the internal security debate in the Bundestag last month.

And then, of course, there is Mr. Strauss.

His Southwestern speech and his extremist statements in recent months may have proved his undoing. In some CDU/CSU circles the feeling is strong that he raises more fears among most voters than their fears of the economy and the state of internal security.

Strauss' Position

Without the CSU, the CDU goes nowhere politically, which places Mr. Strauss in the unique position of being able to call the shots.

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Helmut Kohl, CDU's national chairman.



But that prospect now seems very remote. Meanwhile, Chancellor Schmidt is trying doggedly to come to grips with the economy and Willy Brandt is trying to breathe new life and self-confidence into the SPD.

At the recent Parklinghausen conference he quoted a "foreign statesman" who reputedly asked him: "You have more economic stability than other countries and one of the best systems of social security. You have created the kind of room for maneuver in foreign affairs that most experts on West German affairs would not have considered possible five years ago. Why on earth can't you make people in your own country understand how the land lies?"

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East-West Trade

The Prospects Are for Bigger and Better Things to Come

(Continued from Page 15a)

two-way volume in 1974 was a staggering 24.2 billion marks. And that figure does not include either Yugoslavia or East Germany, which falls into the category of "inter-German" domestic trade. By adding those two, the amount came to nearly 35 billion marks.

Like no other industrialized country, West Germany today is supplying the Communist world with sophisticated machinery and technological know-how, with ships and trucks, with breweries and food plants, with consumer goods and turn-key factories, with modern housing and automobiles, and, in the not-too-distant future, perhaps even with passenger jets.

In exchange it is getting oil, gas and other raw materials, relatively cheap labor through a plethora of cooperative ventures and, despite persistent controversy over the amount of credit and its price, trade with the East is making money. More, perhaps, for West Germany than for any other country in this highly complex and risky business.

Although East-West trade continues to make up only a fraction of the West German total, Eastern Europe has become the one area where hard-pressed and recession-conscious German industry knows it can expand.

Moreover, to some firms it already represents the difference between profit and loss. To others, in the months ahead, it could well mean the difference between life and death.

In the machine-tool field, for example, some small to medium-sized companies now depend on the Communist countries for 50 per cent of all their orders, foreign and domestic.

The recently completed 1.1-billion-mark deal between the Soviet Union and Klockner-Humboldt-Deutz A.G. of Cologne for delivery of 9,000 Magirus air-cooled, diesel-powered heavy duty trucks represents almost one-third of that company's annual production and turnover.

Moreover, the prospects are for even bigger and better things to come.

The growth since 1955, when the first larger deals with Poland and the Soviet Union were struck, has already been phenomenal with exports to the East increasing by 2,500 and imports by 1,100 per cent.

Last year's rise in exports—up from 10.8 billion marks in 1973 to

15.8 billion marks, was one of the largest ever. The increase for 1975 promises to be even greater, especially with the Soviet Union.

In fact, two-way trade with the Soviet Union alone increased from 5 billion marks in 1973 to 8 billion marks last year and German industrial circles expect it to top 10 billion marks in 1975.

Indeed, Ernst Wolf Mommson, a close friend of Chancellor Helmut Schmidt and general manager of Krupp, spoke recently of "15 billion marks worth of new business either agreed upon or already in progress" with the Soviet Union.

More than a billion of it was written during the two-week German industrial show in Moscow last month, although the purpose of the exhibition was not selling at all.

Some of the deals currently pending, or close to being concluded, tax the imagination of even the most far-sighted entrepreneur.

• A consortium of three West German steel plants—Krupp, Salzgitter and Korf—is building a 2.5-billion-mark direct-reduction steel plant near Kursk in southern Russia.

• A new agreement, the third thus far, calling for the delivery of wide-diameter pipe in exchange for Soviet supplies of natural gas, has been signed. It is worth 1.5 billion marks.

• Negotiations are under way for construction of a 1.3-billion-mark nuclear power plant in the Soviet part of East Prussia, for which the Soviet Union would pay with deliveries of electricity to West Berlin and West Germany. If the deal can be firm up, an order for three more power reactors worth an additional 3.6 billion marks may be placed.

• A consortium of German shipyards is currently discussing a 1.2-billion-mark contract for the construction of 20 fish-factory ships for the Soviet high-seas fishing fleet.

• A multibillion-mark tripartite agreement for pipeline construction and deliveries of oil and gas is under consideration by West Germany, Iran and the Soviet Union.

• And there are plans under way for joint German-Soviet oil and gas exploration in the Barents Sea.

As Helmut Schmidt put it in an interview with Moscow's Literaturnaya Gazeta just before the opening of last month's West

German industrial show: "In the decade to come our trade with the Soviet Union will be far above our average with other countries." To judge from the projects in the wings, he was not exaggerating.

Pragmatism

But even more than all his predecessors, Mr. Schmidt has left no doubt that this trade must be linked to diplomatic agreements and political safeguards of West German interests. Taking up the ideas first proffered by Leonid Brezhnev on his visit to Bonn in May 1973, Mr. Schmidt has formulated a very pragmatic policy: nations that trade with each other and are economically interdependent, do not wage war against each other.

His pragmatism was never more evident than during his trip to Moscow last October. Gone was the visionary, emotional euphoria which had surrounded Willy Brandt's first visit to Moscow in 1970 to sign the Soviet-West German renunciation of force treaty. Gone, too, was the beer-drinking, anecdote-telling Kameradschaft of Brandt's subsequent meeting with Mr. Brezhnev at his Crimean dacha.

Free of the apologetic humility that had characterized German approaches to the Soviets in the past, Mr. Schmidt's attitude was candidly businesslike—a "you can use us and we can use you" position.

In taking that line, Mr. Schmidt—more perhaps than he realized—brought Bonn's trade relationship with the Communist world back to full circle.

At the time of its modest beginnings in the 1950s, West Germany's trade with the East was based on an unorthodox philosophy. Instead of the traditional "trade follows the flag" approach, it was predicated on the unconventional notion that the flag could follow the traders.

Stated in more concrete terms, it called upon German industry and business to re-open the diplomatic doors that had been slammed shut by Hitler's invasion of Eastern Europe and the Soviet Union and by the subsequent Cold War with its division of Germany itself.

It foresaw the establishment of trade missions with quasi-diplomatic status in Poland, Ro-

mania, Bulgaria, Hungary and Czechoslovakia—countries Bonn refused to recognize because of their relations with East Germany and which, in turn, had no interest in improving relations with the Federal Republic which they regarded as the reincarnation of the Nazi Reich.

It was a policy conceived in a time when the East-West propaganda war was at fever pitch and relations seemed at their worst.

Many Bonn politicians viewed it with skepticism, one of the most skeptical of all being Konrad Adenauer. Many of those who approved did so with ulterior motives. They harbored the tacit hope that it would provide a potential lever for "softening up" the Soviet bloc, isolating East Germany within it, and ultimately breaking the GDR out of that bloc to be reunited with the West.

Those hopes came to naught. Instead, the "flag follows trade" approach, aside from its obvious benefits to the West German economy, laid the foundation for East-West détente itself and the rapprochement between Bonn and its Eastern neighbors.

Much of the credit goes to two men who not only pioneered West Germany's trade with Eastern Europe but who to this day rank as the most imaginative, active and successful East-West traders—Berthold Beitz and Otto Wolff von Amerongen.

Diplomats have often described Beitz, 61, now the chairman of the supervisory board of Fried. Krupp GmbH, as West Germany's most imaginative businessman. Other businessmen have called him "a frustrated diplomat."

To both—the diplomats and the businessmen—Mr. Beitz is inclined to reply with a simple formula. "The economy is an integral

part of politics," he says. "You cannot separate one from the other. Why shouldn't good business then also be good politics and diplomacy?"

For more than 16 years he has been practicing both good business and good diplomacy in Eastern Europe. In fact, he virtually invented East-West trade and Ostpolitik by employing the "flag follows trade" approach to take the awesome name of Krupp and Germany's shattered image into the Communist world in the late 1950s and early 1960s.

He was in a unique position to do so because of his own impeccable reputation during World War II. From 1940 to 1944 while an executive of the German Steel Co.'s Borsig oil fields in Poland, Mr. Beitz repeatedly stood up to the SS and Gestapo to save the lives of nearly 8,000 Jews and Poles, many of whom he hid in his own home.

That record, remembered by Poles who had moved up into influential government and economic positions after the war, provided Mr. Beitz the entree with which to launch his own ideas of Ostpolitik in the 1950s.

Reconciliation

In 1956 Josef Cyrankiewicz, at that time Poland's premier, invited Mr. Beitz, by then already the flamboyant and controversial head of the Krupp concern, to Warsaw to honor him for his wartime role. It was this meeting which really started it all, for Mr. Beitz not only extended the first hand of Polish-German reconciliation but used the opportunity to explore what might be good for Krupp.

From the outset he rejected the notion of an overt reparations policy toward Poland, describing that as an "insult" to the Poles.

"We must show our respect for them," he insisted. "They got enough of our superiority during the war."

As an alternative he envisioned a trade concept in which the Poles would be interested too: not just the delivery of sophisticated industrial hardware, but entire plants and joint corporate ventures which would benefit both partners equally. It was a novel approach to foreign trade.

At first he met with stiff opposition from Adenauer, who not only had strong political reservations but patently disliked both Mr. Beitz and the whole Krupp enterprise.

Between 1958 and 1961, as Mr. Beitz continued to travel to Poland and elsewhere in Eastern Europe to establish contacts, Adenauer frequently impugned his patriotism and accused him of "unreliability in national matters."

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That title was more than merely a tribute to the successes he scored on behalf of his group of family-owned trading and manufacturing companies. Mr. Wolff was—and still is—in addition to his other functions, the chairman of the East Committee of the German Economy.

Often erroneously described as a sales and promotional group of the Chamber of Commerce and Industry, that committee has actually been a quasi-governmental institution since its founding in 1952. Established under the Allied occupation, it was empowered to act on behalf of the government in the Communist countries where Bonn had no formal diplomatic ties.

And thanks to Otto Wolff's driving force, it acted with spectacular success, engineering the first trade pact with Romania in 1953, a one-year agreement with China in 1957, and the first trade treaty with the Soviet Union in 1958.

When the East Committee chose him as its chairman in 1955, it couldn't have picked a better man for the name Otto Wolff, more specifically that of Otto Wolff sr., was virtually synonymous with East-West trade and the industrialization of China, the Soviet Union and the Balkans.

To understand the son (who also carries but prefers not to use his mother's aristocratic name of Von Amerongen) one had to appreciate the father, better known among those who remember him in Cologne as "Old Ironsides."

In 1904, with 30,000 gold marks as capital, he started a scrap metal business which by 1912 had a monthly turnover of one mil-

lion marks. In 1920, his business cronies who ed him of dealing with tonaries out to destroy I terprise," he founded it East-Russian Trading Co. Berlin. Capital and prof split 50-50 between cru Wolff and the fledgling rik state. By 1923, branches in Leningrad, R Rostov, Kiev and Odessa.

Mr. Wolff sr. dealt in a made of iron or steel and just about everything change. He built the fir line from Baku to Baku duced motorization to I and Romania, built roll in Bulgaria, and railv China.

Wherever you prick skin with a railroad," he boast, "more merchandise ship. And to this day, ever his son goes to C it is proudly shown the his father built.

Mr. Wolff sr. died in 1 his son, a scant 22 ye look over the sprawling which is now a family corporation with a pay 30,000 and an annual tur excess of 3 billion marks.

In his dual role as I Otto Wolff A.G. and c of the East Committee, M is as much at home in Moscow, Budapest or B he is in Cologne. He throughout the Commun in his own Hawker-Sidde and makes an average tripe a year to the may European capitals and i

He sells steel and iron p factories and plants, aut and engines. He is know just about anything in ex including Chinese pork- and dried fleas.

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Railways

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East-West Trade



Trade Continues to Flourish, but the Boom May Be Leveling

of preceding page. ly related to us, both and historically." though he would be the first to argue for "officialization" and de- that it be freed from s and ambivalent gov- interference. rimeters of West Ger- trade with the East, he should be determined as quality of the product, "countries' ability of the goods and services t, and the marketability own exports to the West. e ability and market- spite the recent interest es of energy and raw remains limited. some are clearly better others, in their trade with West Germany all cities remain debtors. periodic restrictions on ducts, such as the Com- set ban on the import which has cost Hungary, ated \$100 million thus debs are sure to get

er, as Bonn has dis- what trade can do for it has become increas- ed to place the flag side. So, for that matter, ie of the East European as they are discovering employment and economic is turning East-West to more of a buyers' use, trade continues to And, the Federal Re- as within the past few signed ten-year agree- economic, industrial and- deal cooperation with all European countries.

ere are indications that is leveling and that the rs may soon be reached. sons are both economic ical. table exception to that mains the Soviet Union hopping trade with West f, thanks largely to in- export of oil, gas and ource at climbing prices, n reach a semblance of here, too, there are hints ing ardor. During recent oth Pravda and Izvestia,

the latter printed on West Ger- man rotary presses, have accused Bonn of taking an "obstructionist stance" because Chancellor Schmidt and Foreign Minister Hans Genscher are pushing a harder line on West Berlin for domestic, partisan reasons.

A Concession

It is important to recall, too, that the reactors-for-power deal would never have been consummated had Moscow not made the political concession of permitting the land line and switching to run through isolated West Berlin, instead of directly to West Germany over East German territory. And though consummated, the deal may never bear fruit as long as certain political stumbling blocks remain in the way.

One of these is East Germany's determination to get part of the action as well as several nuclear power plants itself. An even bigger stumbling block is Cocom, the Paris-based Western coordinating committee which can delay or block the sale by any of its members of potentially strategic goods, such as nuclear reactors, to Communist countries.

Obstacles to the power plant sale by West Germany's Kraftwerk Union A.G., a jointly owned subsidiary of Siemens and AEG-Telefunken, have been raised in Cocom, both the United States and Great Britain.

West Germany charges that strategic considerations have nothing to do with it. Instead, it is alleged to be commercial rivalry on the part of U.S. and British firms, in particular Westinghouse, which already outbid Kraftwerk-Union in reactor sales to Spain and Yugoslavia and reportedly has its sights set on the big Soviet contract.

For Bonn's East-West traders, the Cocom delay evokes bitter memories of a similar embargo on the first big order for pipelines tubing a dozen years ago.

Disagreement over the status of West Berlin has proven to be an obstacle to Bonn's trade with the East on a number of occasions in the past and has recently loomed as one again in dealings with Romania.

Two-way trade with Romania totalled nearly 2.4 billion marks last year, a 39 per cent increase over 1973, and prospects for 1975

There are indications that the boom is leveling and that the perimeters may soon be reached. The reasons are both economic and political.

The notable exception to that trend remains the Soviet Union whose whopping trade with West Germany, thanks largely to increased export of oil, gas and other resources at climbing prices, may soon reach a semblance of balance.

are even bigger. For years West Germany has been Romania's second largest trade partner, after the Soviet Union, and accounts for more than 10 per cent of Romania's total foreign trade.

Some 90 long-term cooperative ventures in the fields of machine building, electrical engineering and petrochemicals exist, and a number of spectacular deals are in the offing.

Thus, Krupp is building a 70-million-mark polyester fiber plant at Ploesti. Deminor, a West German oil and mineral prospecting firm, is investing 50 million marks for oil exploration along Romania's Black Sea coast.

Volkswagen is negotiating for construction of a plant for joint production of VWs in Romania.

And there is a good chance that VFW-Pokker GmbH, West Germany's second-largest aerospace outfit, may come to terms with Bucharest for joint production of its short-range 44-passenger jetliner, the VFW-614, which is still undergoing trials.

Yet, early last month, talks on improving technological and scientific cooperation between Bonn and Bucharest were suddenly broken off when the West German negotiators insisted that the West Berlin-based Federal Institute for Materials Examination be included as a participant in the agreement.

In the case of Poland, which had a 4.5-billion-mark two-way trade with West Germany in 1974 and signed a ten-year economic agreement with Bonn last November after two years of painstaking negotiations, the points at issue are even more complicated than the always-tough question of West Berlin.

They focus on reparations money, credits and human lives. And despite the trebling of Polish-German trade since 1970 and the existence of 140 co-

operative ventures, relations between Warsaw and Bonn this spring are close to the freezing point.

The conservative weekly Rheinischer Merkur recently even described them as "considerably worse" than they were before the conclusion of the Warsaw Treaty of December 1970 in which Bonn recognized the long-disputed Oder-Neisse boundary.

In Poland's view, that treaty opened the gate for Bonn to play a key role in East-West affairs. Bonn's foreign policy leeway was extended to such a degree, the Poles maintain, that the Federal Republic is now the second most influential power in the West after the United States.

Polish Claims

In return, Poland had hoped to gain far-reaching economic benefits in the form of broader, more profitable cooperative ventures, especially on the shipbuilding, construction equipment, copper and zinc mining, petrochemical and metallurgical sectors, and a massive infusion of aid.

The aid, in particular, was to represent indirect compensation for Poland's losses during World War II. Warsaw maintains that with 6 million killed, more than 25 million Poles impressed into German slave labor and several hundred-thousand invalids, it suffered more at the hands of the Germans than any other country.

Specifically, what Warsaw wants is 2.5 billion marks. All Bonn has offered is 1 billion marks in the form of a long-term, low-interest loan plus a 500-million-mark grant in settlement of claims by individual victims of Nazi persecution.

Warsaw, which had a 2.2-billion-mark deficit in its trade with West Germany last year, not

to mention a \$3-billion debt with other Western countries, rejects Bonn's offer as inadequate.

In the past few weeks it has stepped up its propaganda campaign against West Germany to a pitch reminiscent of the pre-1970 era. Moreover, it has threatened the resettlement of ethnic Germans to the Federal Republic.

The resettlement question, which also plays a significant role in West Germany's economic relations with the Soviet Union and Czechoslovakia, is an especially sticky one and analogous to the Jewish emigration problem in Soviet trade with the United States.

There is first of all a basic disagreement over the number of persons involved, secondly over whether they are all really ethnic Germans, and finally over their motivations, which ostensibly are the desire for reunification with families in West Germany, but look more and more economic.

Bonn claims that the German Red Cross had a list of 380,000 applicants of whom less than a quarter thus far have been given exit visas. Warsaw maintains that there were never more than 70 or 80,000.

Despite a Polish promise to release 50,000 in 1974, only 7,000 were permitted to leave and since the beginning of this year the rate has slowed to a trickle. Bonn's position is that until there is a "solution to this humanitarian problem" there can be no discussion whatsoever about economic aid.

This has led to the current impasse in which West Germany has determinedly overlooked the fact that the resettlement question is above all an economic one.

Poland is critically short of skilled labor, especially in highly industrialized Silesia from where

most of the emigration-bent ethnic Germans come. They, moreover, happen to be the most skilled and critically needed of all.

As the Hamburg weekly Die Zeit commented recently, "both sides refuse to think in terms of an exchange of 'humans against money.' But that is exactly what the problem is about."

While resettlement is also an issue between West Germany and Czechoslovakia where an estimated 80,000 ethnic Germans still live, it has thus far proved no bar to improving economic relations.

Czechoslovakia

The improvement, however, is gradual compared to that with the other East European countries. Though a ten-year economic agreement was signed last January, Czechoslovak industrial goods are becoming increasingly difficult to sell to West Germany because of their low quality, and Prague has little else to offer.

Trade in 1974 was 2.5 billion marks—a scant 16-per-cent increase over 1973. The future obviously lies in more cooperative ventures of which, currently, there are but 30. Joint production between Czechoslovakia and the Federal Republic is still in its infancy, though the new agreement is expected to change that.

The agreement foresees the principal development in industry, agriculture, food-processing, construction and communications. Closer cooperation in the raw materials and energy spheres as well as the exchange of technological information, licenses and patents are also anticipated.

Joint ventures and cooperation may soon make their debut in West Germany's trade with East Germany too, though up to now the East German Democratic Re-

public has spurned them because they "reek too much of German togetherness." And togetherness is a nightmarish concept for the GDR.

Next to the Soviet Union, the GDR is the Federal Republic's largest trade partner in the Communist world. Two-way volume in 1974 nosed DM 6 billion.

Technically speaking, however, it is not foreign trade at all. It used to be called "inter-zonal." Bonn still describes it as "intra-German" whereas East Berlin prefers to speak of "inter-German." No form of trade has been used more often and more ruthlessly to exert political pressure or extract political concessions from the one partner or the other.

And in the Alice in Wonderland world of German-German relations, trade between the two is by far the most wondrous thing of all.

That is because by whatever term one chooses to call it, it is the most privileged trade of any. It is free of duty and export-import controls.

It gives East Germany backdoor access to the Common Market—to the frequent fire of both Bonn's EEG allies and East Berlin's partners within COMECON.

And it is protected by the West German Bundesbank's interest-free swing credits which, following the extension of the agreement to 1981 last December, after East Berlin had made political concessions on travel, annually allows East Germany to buy DM 850 million more in goods than it delivers to the West.

Despite these obvious benefits of which East Germany partakes liberally, East Berlin rarely passes up an opportunity to scorn the whole deal.

The reasons are obvious. East-West German trade is virtually the last vestige of German togetherness, and East Germany's main policy aim is to stake out its own identity and sever the links. Moreover, the GDR is economically weaker, knows it, and resents the political clout which this gives the Federal Republic and which the FRG is only too delighted to use.

Traded with East Germany is therefore threatened with stagnation, a threat that was only too obvious at last month's Leipzig

fair where the East Germans went to great lengths to snub West German exhibitors.

The threat is aggravated by the fact that East Germany is running out of money and credit because of spiralling energy and raw-materials prices, and has stretched its productive capacity to the limit.

The only way to revitalize it, in the opinion of West German industrialists, is with cooperative ventures. Until recently these were ideological anathemas to East Germany, not only in its dealings with the Federal Republic but other Western countries as well.

But the ice seems to be breaking. East Germany recently signed an agreement with Austria's VOEST-Alpine A.G. for \$235-million worth of petrochemical plant and lignite processing construction to be paid for with production and joint foreign investment.

And in Leipzig last month there were indications of a new deal about to be struck with Krupp. It is expected to involve several hundred million marks worth of turn-key plant facilities for joint production.

Interest Rates

While West German trade with the East is obviously booming, it has been impaired for years by the government's refusal to subsidize interest rates, and the stubborn determination of the Communist countries, especially the Soviet Union, not to pay the going bank rates on medium and long-term credits.

Ultimately a compromise is always found. The Soviets have turned more to paying cash, such as on the Kursk steel complex. And when they insist on 6 per cent interest, German firms have acquiesced and simply added the difference between that and the going bank rate to the product price.

"Everything we buy from you," said a Pole "is at least 10 per cent more expensive than what other countries offer."

"Well, why do you buy from us then?" "The service is better. With German machinery you get repairs in days, other countries take weeks."

"That's what costs you 10 per cent."

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A carefully designed car makes it easier to drive carefully.

It's easy to ask drivers to take more care on the roads. But it's unfair if at the same time you're asking them to drive in cars that aren't as safe as they could be. That's why, for instance, there is at least 87 percent visibility from the driving seat of a Mercedes-Benz.

Our second principle:
Cut down noise and you cut down tension.

It's easy to ask drivers to be more tolerant. But it's unfair when they're faced with thoughtless car design. Dampening, to cut down noise and vibration from the engine and road, is as much part of car design as the shape of the body. And it's just as important. Because a smooth ride in peace and quiet helps keep you relaxed.

Our third principle:
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It's easy to ask drivers to be more safety-conscious. But it's unfair if they have to rely on brakes that are no match for the engine.

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Our fourth principle:
A comfortable driver is a safer driver.

It's easy to ask drivers to be calm and patient. But it's unfair if their cars are cramped, uncomfortable and awkward to handle.

Everything about a Mercedes is designed to make driving as easy as possible. There's plenty of space and comfort, and all controls and instruments are logically positioned to be easy to use and read.

Our fifth principle:
A better car is the best value.

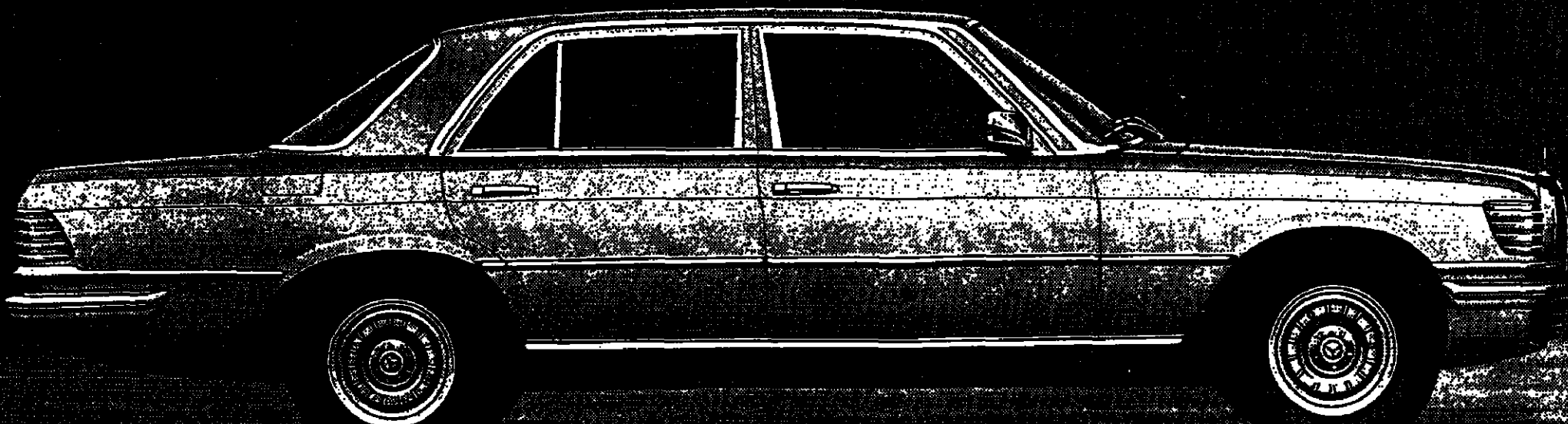
It's easy to ask drivers to be happy with today's cars. But it's unfair if the cars you are offering them have been developed too fast and built too cheaply.

At first they may seem exciting. But the glamour soon wears thin when the faults start to crop up and the bills come in.

The price of a Mercedes is a fair reflection of its technical excellence and reliability.

Technics can be human. Mercedes proves it.

Mercedes-Benz



In Germany, Unions Are Sensitive to the Economic Climate

Hans Mayr, deputy president of IG Metall, the metalworkers' union (with over 2.5 million members the largest trade union

But he added: "Next year things may change; and if business does revive, we'll certainly press again for a larger slice of the income cake."

There are 16 unions affiliated to the DGB, the central organization of German trade unions which comprises nearly 7.2 million members, with 1.5 million others belonging to four non-affiliated organizations catering for civil servants, higher paid staff, the police and the relatively small "Christian" group of unions. This structure, based on indus-

A notable recent example to prove the point was the refusal of Volkswagen, Germany's leading motor manufacturer, to sanction a plan by its then chief executive, Rudolf Leiding, to assemble cars in the United States. Although the United States was until last year Volkswagen's biggest single market for cars and the move might have succeeded in reversing the catastrophic decline in sales, Eugen Loderer, president of IG Metall and den-

uty chairman of the company, appears to have been instrumental in shelving the decision. (It also led, incidentally, to the premature retirement of Mr. Leidinger himself.) For in the union's view the setting up of assembly facilities in the United States might have accelerated the already heavy laying off at Volkswagen's German plants at a time of rising unemployment and considerable short-time working. At the same time, it is also fair

facilities in the United States might have accelerated the already heavy laying off at Volkswagen's German plants at a time of rising unemployment and considerable short-time working. At the same time, it is also fair

But in East-West trade it is a heavyweight, for Liebherr is the general contractor for installation of the transmission shop at the huge new truck plant the Soviet Union is building in Naberezhnye Chelny on the banks of the Kama River. Moreover, Liebherr is also re-equipping the transmission department of the Moskvich automobile plant in Moscow.

But even more than reliability, West German businessmen have come to regard trade with the

Nevertheless, German industry views with consternation and hostility the government's plan to increase the employee seats on

Despite their official non-party status, most top union leaders, including Mr. Loderer and Mr.

Mayr, are members of Democratic Party (SP), prior partner in the government coalition; and vast majority of ac unionists. The signs for that the bill aims: *bestimmung* (co-decide) which would codify the representation of boards may go through by the unions; as get modified, it would of the determined on; the bulk of the leader try, commerce and Germany.

Kraftwerk-Union A.G., nuclear power plant to be built near Kaliningrad in Soviet-controlled East Prussia. The 1,900-megawatt station, which will cost approximately 1.2 billion marks, will of course be a major power source for the northwestern Soviet Union. But it will be paid for with long-term deliveries of electricity to West Berlin and West Germany, ultimately linking the East European with the West European power grids.

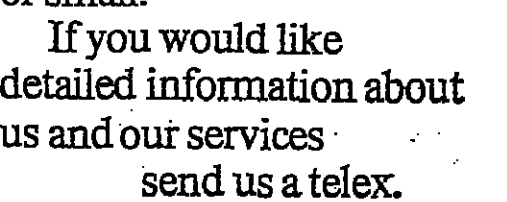
The Soviet Union with this latest order with deliveries of 88 billion of natural gas each yr 1978 and the end of t bringing the Soviet U supply of gas to West

And, of course, Krupp has a major chunk of the 2.5-billion-mark direct-reduction steel plant being built jointly with Salzgitter and Korf in Kursk. The plant,

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The Economy

Germany's 13-Billion-Mark Contribution

(Continued from Page 15A)

The January-February rise up 2 per cent in value preceding two months, for the Economics Ministry, the sharp weakening is visible in late 1974 arrested, at least.

Domestic registrations of station wagons in February 1975, up 23.6 from the like year-ago period. The association (VDA) says the figures are "miserable."

The market has reacted to these and other domestic revival, sending Federal Statistics Office all West German stocks the end of March, up for 1974 as a whole equals 100.

Whether or not the economic climb indicated by the figures will be steady or interrupted by backsliding, it is clear that the government and Deutsche Bundesbank have gone to considerable lengths to ensure a smooth ascent.

Priming

The 12 pump-priming featured the release of 100 million marks of the 8-billion mark "fund" that was amassed on times through taxes measures for later expansion the appearance conditions. About 1.7 per cent of this sum is being public projects, and on to help the jobless find work. The rest is to help record 60-million-mark for budget deficit.

The program also offers a 7.5-per-cent bonus on investments ordered between Jan. 1 and June 30.

The "horses drink" the could result in outflows of up to 7.5 billion marks, government experts say. The premiums are to be

Whether or not the economic climb indicated by the figures will be steady or interrupted by backsliding, it is clear that the government and Deutsche Bundesbank have gone to considerable lengths to ensure a smooth ascent.

largely self-financing, paid for with the higher tax receipts that theoretically will result from the measure.

The program comes on top of the tax reforms, which are expected to release 14 billion marks to the public this year.

Bundesbank Plans

The Bundesbank has played its part in setting the stage for an upswing by reducing interest rates. The central bank cut the key discount rate to 5 per cent in early April from 7 per cent last September to provide liquidity to fuel the upturn. (Prime borrowers get commercial bank overdrafts at 4-5 points above the discount rate, banking sources say.)

The unions have contributed by making moderate demands in early negotiating rounds this year. Raises have ranged between 6 per cent and 7 per cent, down from 12-13 per cent last year, presumably. The result will free more company funds for investment.

The rationale for the government and Bundesbank moves was summed up by Chancellor Schmidt in a recent newspaper interview as follows:

"I said about three years ago that in a phase of world inflation one can cope if necessary with a 5-per-cent-a-year rise in prices but not with 6-per-cent joblessness. That is my opinion today."

"When we saw at the end of last year how the world oil crisis would lead to a world recession, we turned around our economic policy and gave employment policy top priority, consistent with maintenance of price stability."

To appreciate the extent of the turnaround that Mr. Schmidt referred to, it is necessary to go back to early 1973, when Ger-

many presciently began its anti-inflation fight. Major steps included an 11-per-cent tax on capital investment, suspension of special depreciation allowances for plant machinery and home-building and a temporary 10-per-cent tax surcharge on higher incomes. The Bundesbank cooperated by keeping the money supply tight.

The capital investment tax was lifted and depreciation allowances were restored at the end of 1973. The surcharge ran out June 30, 1974. But the damping effects of these and other anti-inflationary measures persisted. The Bundesbank continued its tight money policy, limiting money supply growth to 6 per cent in 1974.

The anti-inflationary strategy paid off by keeping price rises in 1974 to an average of 7 per cent, only slightly above the 6.9 per cent of 1973, while other nations suffered double-digit price rises. But the deflation, combined with high pay raises won by unions last year, had some unpleasant side effects.

Unemployment soared to 4.3 per cent of the work force at the end of 1974 from an average of 3.3 per cent for 1973 as a whole. Insolvencies rose 40 per cent, with 2,207 cases. Gross national product, up 5.3 per cent in real terms in 1973, rose only 0.4 per cent in 1974 as a whole, and actually dropped 1.5 per cent on a seasonally adjusted basis in the final quarter. Capital investment on equipment slumped almost 9 per cent in real terms.

Two modest, inflationary programs announced Feb. 6 and Sept. 11 last year couldn't avert stagnation.

It was against this background that the government and Bundesbank decided late in 1974 to give a powerful boost to the economy.

Since the turn of the year, Mr. Schmidt and his spokesmen have been attempting to drive home the message that Germany will be "over the mountain" by early summer. The intensity of publicity on this point is partly explained by the fact that 1975 is a big state election year. The most important of these elections takes place May 4 in North Rhine-Westphalia, Germany's most populous state.

The Assurance

The Schmidt men base their assurance partly on the assumption that the capital investment bonus will produce a massive order inflow in May and June as businessmen rush to buy before the measure expires June 30. After all, points out government spokesman Armin Gruenewald, "all capital investment will become 7.5 per cent more expensive from June 1."

This logic doesn't convince many industrialists. They argue that capital investment normally is planned long in advance and can't be altered much by short-term measures. Even if orders that were planned prior to the announcement are shifted forward somewhat, this would produce a drop later that would reduce the bonus's net effect to zero, it is argued.

In the special case of automotive investments, the bonus has proved effective already, though elsewhere the "horses haven't begun to drink" in large numbers.

Latest order-inflow figures released by the Economics Ministry show an 11 1/2-per-cent gain in domestic capital goods orders in January-February over November-December, including 27 per cent for motor vehicles. The value of domestic orders for machines and electrical equipment, on the contrary, showed only modest gains of 7 1/2 per cent and 6 1/3 per cent respectively.

Joseph Zahn, chairman of Daimler-Benz AG, said in a recent interview that the investment bonus "without doubt has benefited the auto industry. He explained that vehicle purchases normally are made as a result of many isolated, mood-determined

(Continued on next page)

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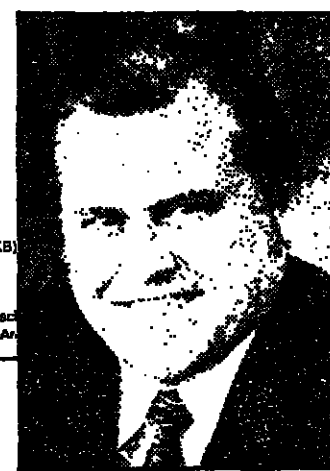
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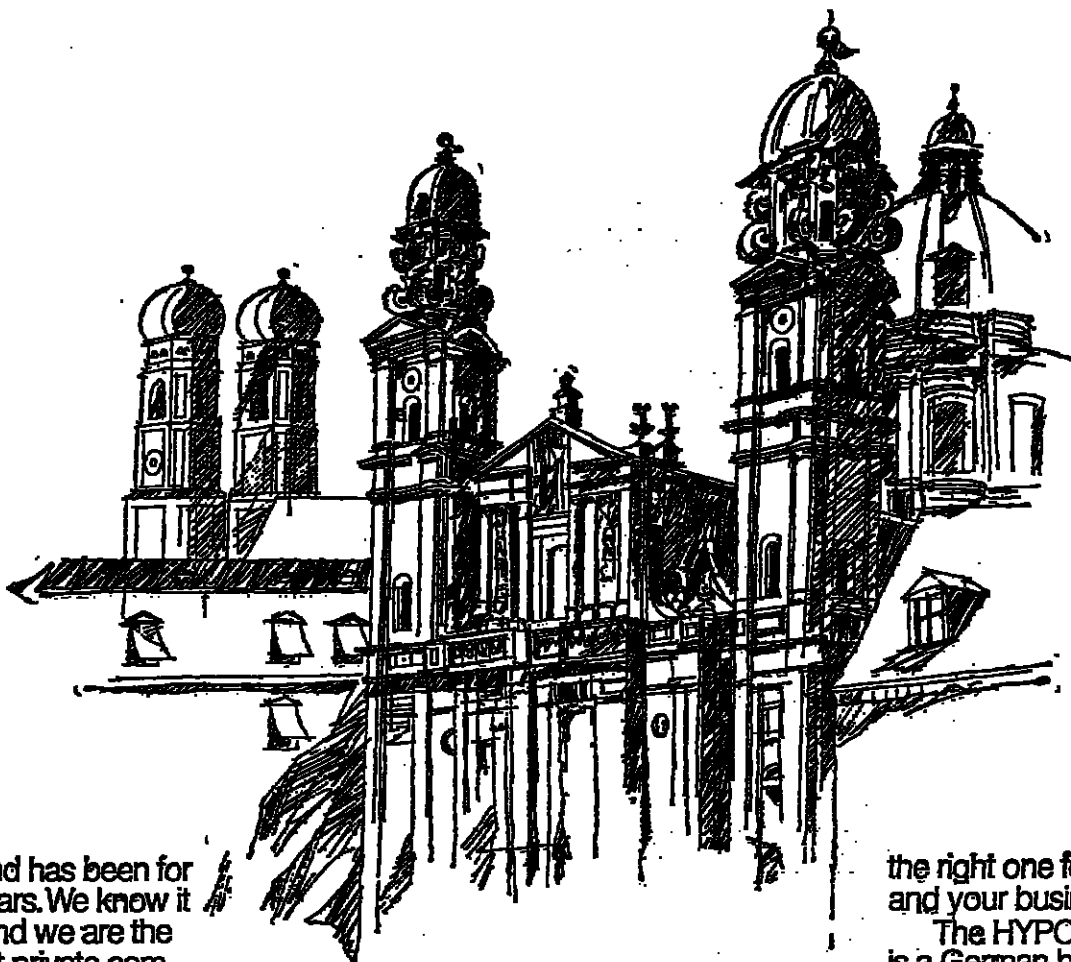


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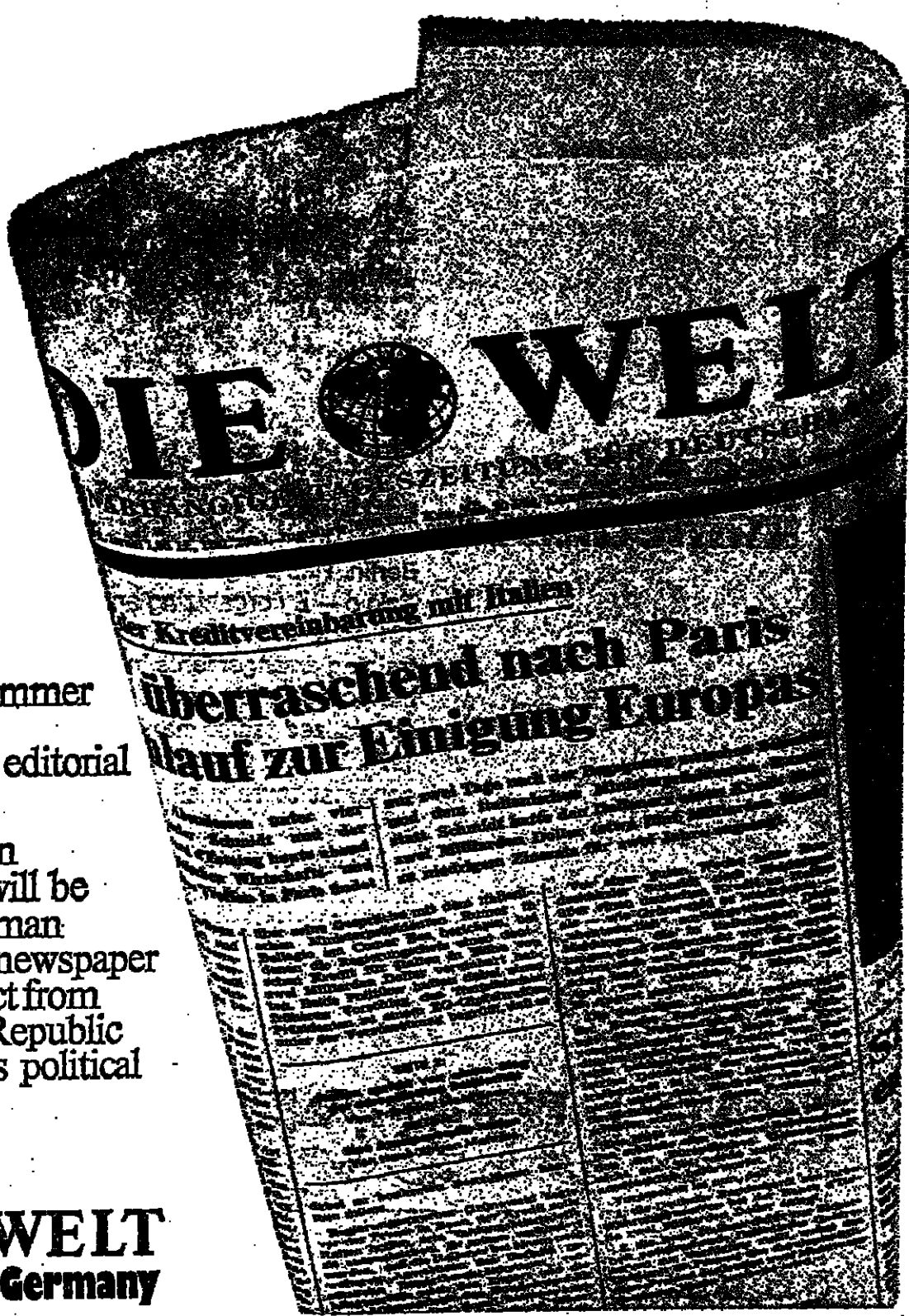
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The Economy

(Continued from preceding page.)
decisions, unlike the buying of machines, for example.

Mr. Schmidt's confident views on the timing of the upturn aren't shared everywhere even within the government. The Economics Ministry said early in April that no predictions about the timing of an upswing would be possible until May or June.

A ministry official said that for an upturn to occur the increased capital goods demand that has already manifested itself will have to be accompanied by rises in orders for basic industrial goods and consumer items. Domestic demand in these categories was down 6 per cent and 5 1/2 per cent respectively in January-February from the two preceding months.

Outside the government, Paul Lichtenberg, management board member of Commerzbank, says first signs of a revival may be visible this summer but the recovery won't begin to gather momentum until the fall and won't attain full speed until 1976.

Aside from doubts about the efficacy of the investment bonus, the other main uncertainty overshadowing the economy is the outlook for exports. Foreign sales were an important support of the economy in 1974, reaching 230.5 billion marks, against total gross national product of 885 billion marks.

Foreign demand currently is very weak in the steel, chemical and auto industries, to name three, and industry spokesmen caution that an upswing in domestic demand alone won't suffice to bring these sectors out of their slumps. Revived foreign sales also will be necessary. The value of export orders for the manufacturing industry as a whole was down 7 1/2 per cent in January-February from a year earlier.

The Economics Ministry, however, is reasonably confident about the outlook for exports. It estimates that world trade will rise 2-3 per cent in real terms this year, enabling the volume of German foreign sales to grow 3-4 per cent. This premise, when combined with import projections, results in the official prediction that the German export surplus will be nearly as high in 1975 as the 50.8 billion marks of the previous year.

The ministry cautions that the estimate would be thrown off if any major trading partner introduced strict protectionist measures.

In the first two months of 1975, the German trade surplus was 7.102 billion marks, down 17.8 per

Foreign direct investment in Germany last year was 4.4839 billion marks, against 6.1277 billion in 1973 and 3.7285 in 1972.

cent from 8.844 billion a year earlier, indicating that the Economics Ministry forecast has yet to prove itself.

Nevertheless, the ministry's assumption that Germany will profit from any rise in world trade is well justified in light of the country's repeated strong export performances in the past.

The 1974 export surplus was a record, the envy of a Western industrial world suffering from trade deficits stemming from the oil crisis. The 1974 current account virtually doubled to 8.41 billion marks from 12.1 billion marks in 1973. The current account includes not only merchandise trade, in which Germany normally runs a big surplus, but also such items as tourism and transfers payments that yield a deficit.

Early in 1974, some officials had predicted that rising oil prices would force the current account down to bare balance or even into a small deficit, but these fears didn't materialize. Imports of crude petroleum and products rose to 29.7 billion marks from 14.080 billion in 1973, but the 111-per-cent rise couldn't cancel out the strong rise in Germany's exports.

In its latest monthly report, the Bundesbank attributes the remarkable 1974 export performance to the country's low rate of inflation and to its particular export structure. Low inflation to a great extent offset the competitive disadvantage that otherwise might have arisen from the strength of the mark, it said.

Exports

The central bank added: "Over 80 per cent of Germany's exports are final products, including almost all capital goods. Products of the machine industry alone accounted for almost 20 per cent of total exports. Foreign demand for such technically developed, high-value products appears... to depend less on price developments than on factors like quality, ability to deliver, service and consideration of customers' special wishes."

In addition, Germany profited particularly from the chemical and steel booms, which died away at the end of 1974. These two industry branches were able to raise their exports in 1974 by

71 per cent and 46 per cent respectively, although price rises were particularly pronounced.

Despite this sanguine analysis, many German industrialists are worried about the effects on future exports of the very high international value of the mark. On a trade-weighted basis, the currency has risen by an average of more than 30 per cent in value against all other world monies in the last two years.

One high-ranking German auto executive, for example, believes the current high value of the mark has created a critical situation for West German industry. In this situation, it isn't possible to make a success selling German-made, mass-produced cars overseas, he said, without giving any manufacturers.

As if to confirm this statement, Arthur Railton, vice-president of Volkswagen of America, said recently that VW will lose its U.S. market in five years unless it begins producing cars there. The weakness of the dollar and high German wage costs have put VW at a competitive disadvantage, he said.

In fact, German capital investment in foreign countries already has increased sharply in response to these pressures. German direct investment abroad last year totaled 4,529 billion marks, down from 5,531 billion in 1973, but up sharply from 2,812 billion in 1972, according to Economics Ministry figures. The chemical industry, leader in 1974 direct investment, reckons that its foreign production in 1974 produced turnover of 18-20 billion marks, against domestic output of 85 billion.

Besides spurring overseas investment, the strong deutsche mark and high German wage levels could accelerate in this country what many observers think is a long-range tendency for industrially developed countries to shift the emphasis of their foreign business from the export of goods to the export of services. Such a shift is desirable as well as necessary, according to Otto Wolf von Amerongen, president of the German Industry and Business Conference.

Foreign direct investment in Germany last year was 4.4839 billion marks, against 6.1277 billion in 1973 and 3.7285 in 1972.

The United States largest single investor, despite the pressure by the U.S. Commerce in Germany government's plans worker participation (Mitbestimmung) in industrial

making. The chamber last admitted to the U.S. a brief change of the governing "parity" bill, under which workers have an equal voice with capital on boards of the major German companies, employees or more.

A form of "parity" has existed in steel industries in other industries, a one-third vote on boards, with capital, says. The U.S. Chamber in Germany raises the wage parity with capital-owned companies violate a 1954 German trade treaty guaranteeing the right of workers to elect representatives to the companies they State Department has to a final decision on the treaty, although it stood to be working.

Also causing ming some foreign and domestic businessmen are German plans for a potent 50 per cent shareholding in companies. These proposals formulated 1974, some 37,000 on taxable profits of 4 or more would have up to 10 per cent profit in the form cash to investment for the benefit of the Vermogensübertragung charged the action would have led to a over of industry own Vermögensübertragung planning, they charged, is for a "union state."

At present, the 50 per cent shareholding is a controversial Democratic members ering coalition. It the current Bonn is sion is questionable, changes is seen for p controversial Vermo schema in this sessio

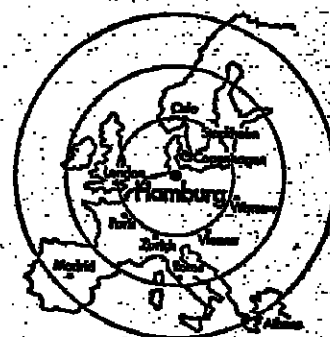
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Gastarbeiter, Germany's Foreign Work Force

by Paul J. Friedrich

N (IHT).—With unemployment in West Germany as high as 5.2 per cent in 1972, many Germans are beginning to have second thoughts about the country's 2.5 million foreign workers (Gastarbeiter) abroad.

1972 increase of unemployment in West Germany has been highest among European countries, with the rate of 5.2 per cent. In 1971, the rate had been only 4.2 per cent. For 1972 it jumped an average of 2.6 per cent, showing a sharp increase in the last three months of the year. In addition to the 4.2 per cent without work last December, there were 700,000 on short time or early laid off. Among 182,500 people out of a February, 1972, 170,230 foreigners whose unemployment rate of 7.1 per cent was above the national average. As in view of this upward of unemployment that last one German out of two, Institut für Arbeitsmarktforschung found, the surplus of foreign workers' problems unknown at scale for almost two years.

Major Reason

major reason for such an increase in Germany's unemployment. Besides, many foreign workers left now, would not necessarily lead, at the time being, to a sensible use of unemployment among Germans. For instance, most of the 400,000 "displaced" workers now held by the German government, if offered to Germans seeking employment. The possibility, however, of eliminating workers administratively simply not renewing expiring contracts—from better they hold now are limited. Hands of the authorities tied through international agreements and legal restrictions, if one wished to return a number of Gastarbeiter to home countries, administrative measures would not be

applicable to more than 50 per cent of them. For those from European Community countries (600,000 at the present) have a free choice of their place of work within the Community; of the others, those married to a German (300,000) have the right to stay in Germany permanently, while those who have been working in the Federal Republic for five years or longer (400,000) are entitled to stay for three more years, independently of labor-market fluctuations.

With 2.5 million Gastarbeiter in September 1972, a high point had been reached. In the 1950s, foreign workers had played a very minor role in the German economy then still struggling with domestic unemployment problems.

Distribution

After an economic boom in 1958-60, the rate of foreign workers has risen continuously from 1.5 per cent in 1960 to 11.9 per cent in 1972, with the exception of 1967 due to the recession of 1966-67.

Today, foreign workers in Germany—one person of every nine employed in the Federal Republic

—come mainly from outside the European Community. Of the 2.5 million foreign workers in September, 1972, the Federal Office for Labor in Nuremberg gave the following distribution of the largest nationality groups represented: 605,000 (23 per cent) Turks; 535,000 (21 per cent) Yugoslavs; 450,000 (17 per cent) Italians; 350,000 (13 per cent) Greeks; 190,000 (7 per cent) Spaniards; 85,000 (3 per cent) Portuguese.

Although the total figure of foreign workers had slightly dropped (about a quarter of a million) by September 1972, this nationality picture had hardly changed, except that the Turks moved up to 25 per cent.

When toward the end of 1972, West Germany, like many other European countries, decided to introduce restrictive measures against the unlimited arrival of workers from abroad, it looked as if this move were linked to the energy crisis and the signs of a beginning economic recession. In reality, considerations were grounded in a more general analysis of the social and political structure of the country begun long before the energy crisis.

Already quite some time ago, people in Germany had become aware of the Gastarbeiter problem (housing, social non-integration, schooling). Trade unions, political parties, employers' organizations, the federal government and the governments of the Länder, for years discussed the whole question. By 1972, if not earlier, it was almost generally recognized that the economic advantages of continued immigration of foreign workers would be outweighed by the social and political problems raised by this very process.

A governmental action program, decided by the Cabinet in Bonn on June 6, 1972, had two basic aims: first, to correlate properly the continued strong interest of German industry in the employment of foreign workers with the capacity of the social and communal structure to take them in; second, to take measures against the "illegal," i.e., unauthorized, employment of foreign workers. In November, 1972, the Federal Ministry of Labor ordered a total ban on recruiting workers from outside the European Community.

By then the government in

Bonn had also become eager to diminish risks developing on the employment front. The measure of November, 1972, was therefore seen as a precautionary step, in the right direction, aimed at securing jobs both for Germans and for foreigners already working in the country.

Continued Flow

Another slow-down regulation has taken effect already in September, 1972: The fee employers have to pay the Federal Office of Labor for each newly recruited foreign worker went up from 300 marks to 1,000 marks.

The ban on recruiting, however, came much too late. It was anticipated that the figures of foreign workers would go down correspondingly with the usual annual turnover. Instead, the quota of foreigners has remained more or less unchanged since November, 1972.

Since the stop to recruiting was not at the same time a ban on immigration, there was a continued flow from abroad as wives and children joined the men working in Germany. This more than outbalanced the actual

diminution of foreign workers by some 250,000 persons between September, 1972 and 1974. With a total of 4.1 million, the population of foreign workers and their families in Germany showed in fact a slight increase in strength of about 4 per cent. Many wives later took up employment themselves. Furthermore, some 50,000 children of foreign families already in the country reach each year the age to seek employment. Finally, the foreign population growth through newborn children was estimated at 100,000 in 1974.

A recent German tax reform, effective since January, 1973, has inadvertently turned into an incentive for the foreign workers to bring along their families. Under the regulation, for instance, a father receives a 380-mark cash contribution from the government if his four children live in Germany, but only 155 marks if they remain back home.

The real challenge of the Gastarbeiter to the West German society is not a labor-market question. The problem is of a social and communal nature. Critical observers see Germany's 4 million foreign population as a new underprivileged population

group. The legal status of the Gastarbeiter, officially referred to as "foreigners working in the Federal Republic," is still very insufficiently defined. The more favorable conditions available to those coming from the European Community benefit an increasingly smaller portion of Germany's foreign workers.

Many West Germans do not want the foreign population to remain in their country. When industry and public services were requesting a few years ago additional labor forces, foreigners were hired without much consideration, either for the length of their stay and the problems resulting from it, or for their chances of integration into the new cultural and language environment.

The massive arrival of foreign workers in Germany has been so rapid over such a short period of time that the expansion of what in German technical language is called "social infrastructure"—adequate family housing, schools, hospitals, etc.—could not keep pace with economic interest.

Statistics from the Federal Office for Labor for March, 1972, show an income average of 1,280

Foreign Workers

Source: Bundesamt für Arbeit, Ausländische Arbeitnehmer 1972 in Nürnberg, July 1974, pp. 4-5.

Year	Foreigners (end Sept.)	Quota (per cent)
1949	220,000	1.1
1951	245,000	1.3
1953	270,000	1.5
1955	295,000	1.7
1957	320,000	1.9
1959	345,000	2.1
1961	370,000	2.3
1963	395,000	2.5
1965	420,000	2.7
1967	445,000	2.9
1969	470,000	3.1
1971	495,000	3.3
1972	520,000	3.5
1973	545,000	3.7
1974	570,000	3.9

marks a month before taxes for a foreign worker, against 1,346 marks on the national average. This figure is slightly misleading, however, since it includes on the part of foreign workers a high rate of overtime earnings.

Foreign workers are generally placed in lower wage groups because they are employed in auxiliary functions, either as untrained workers or in jobs not requiring a specialized professional training. But there are differences between nationalities. Yugoslavs bring from home, or have acquired abroad, a higher professional qualification than, for instance, workers from Turkey.

Generally the upward mobility is limited, for only about 2 per cent of the Gastarbeiter benefit from government funded professional training programs.

The Contribution

The contribution of foreign workers to Germany's GNP is disproportionately high, their reliance on social programs low. For they belong to active age groups, with an age structure markedly different from that of the average German population.

One third of all Germans who work are 45 years old or more, but only one foreign worker out of ten belongs to that age group, while about 60 per cent of foreign workers are between 25 and 40 years old. Then, too, the employment rate of the 4.1 million foreign workers and their families is over 80 per cent against only about 45 per cent among the Germans. Foreign workers work on average much more overtime than Germans thus raising the per capita productivity.

The Hannover Fair, World's Largest General Exhibition

By Andrew Hargrave

HANNOVER (IHT).—Although economic stagnation in Germany and in the industrialized West has had its effect on the Hannover Fair, said to be the world's largest general-purpose exhibition, the organizers expect its impact to be fully maintained. More than 4,000 exhibitors from over 80 countries have booked stands at the exhibition which is being held between April 16-24, with a further 750 being represented indirectly. The numbers of journalists covering the Fair, though likely to fall short of last year's 3,500 (500 of them from outside Germany), is going to run into thousands, the numbers of visitors (460,000 last year) into hundreds of thousands.

The main reason why, apart from the recession, both participation and attendance at the Fair will be below average this year, is that groups of exhibitors now have the opportunity of showing at specialist fairs catering specifically for their needs.

Thus the departure of manufacturers of some light consumer

goods, such as porcelain, glass, ceramics, jewelry, clocks and watches, silverware, gifts, etc., who were showing their products at the separate "Interface" exhibition in Hannover last month (March), has been followed by the manufacturers of woodwork, machinery and equipment who, for the first time this year, will have their own show, also in Hannover, between May 28-June 3. In comparable terms, these two groups have probably diverted more than 1,000 exhibitors from the main Hannover Fair; in absolute terms the drop on last year is probably only about 5 per cent.

Moreover, the organizers' confidence of its undiminished impact is based not only on 28 years' success, one that followed closely the amazing economic recovery of Germany after the second World War, but on the results of a recent inquiry by a market research company.

The inquiry, which covered all German exhibitions, confirmed Hannover as the leader among German fairs, with more than four-fifths of industrial buyers

considering a visit to the Fair as a necessity, 80 per cent of them actually visiting it regularly and a further 18 per cent paying occasional visits.

The depth of reporting back from the Fair is confirmed by the claim that on an average 7.4 people in each company participate in providing information on their return to the home base. A large proportion of buyers agree that the Fair plays an important role in their companies' product and marketing policies.

As in previous Fairs, electrical and mechanical engineering products and processes will occupy the largest amount of floor space in a total stand area of around 330,000 sq. meters, each accounting for about a third of the total and, combined, for about 60 per cent of all exhibitors. The Fair organizers' intention of providing increasingly application-oriented displays is reflected in the regrouping of stands in more closely specialized units. For example waste removal, disposal treatment and recycling now claims a separate grouping; and so do gas- and water treatment,

equipment and supply economy, which have special significance in view of changing energy policy by the German government. Information is supplemented by seminars and visits to installations.

Electronics, including data processing, has always occupied an important place at the Hannover Fair. It is traditionally a focal point of interest; for U.S. exhibitors of whom there will be around 20, with a further 150 companies whose products will be shown. (It should be noted that among foreign manufacturers operating in Germany, the United States has a leading place in terms of investment, sales and employment.)

Foreign Exhibition

There will altogether be around 800 foreign exhibitors and a further 500 are to be represented on the stands of others. Altogether, foreign representation will amount to nearly one-third of the total numbers at the Fair.

Britain, with 157 exhibitors, is again at the top of the list of foreign nations, followed by

France (139), Switzerland (95) and Italy (83). One of Germany's—and the U.S.'s—most formidable competitors, Japan, occupies 22 stands, with a further 35 represented indirectly.

There is another form of competition concerning the Fair, the exceptionally keen race among German cities to wrest the leadership from Hannover, and in certain industrial and consumer sectors others, such as Düsseldorf, Hamburg, Stuttgart, Cologne and Frankfurt, have made notable advances. West Berlin, owing to its special circumstances, has been a focal point of not only the determination of the Western powers to maintain its status as an island in a Communist sea but also as an international exhibition center.

Hannover Fair may retort with some justice that it is the only one so far unsubsidized by its sponsors, the city of Hannover and the provincial government of Lower Saxony. Between the post-war revival of the Fair (by the British occupation forces) in 1947 and the end of 1972, the Fair company, Deutsche Messe und

Ausstellungen AG, and its subsidiaries invested around \$180 million, of which \$94 million or 60 per cent was financed from the company's own resources.

The year 1973 was, incidentally, the last one in which the company managed to make a profit (\$700,000), but, in anticipation of a deficit, decided against distributing the 4 per cent dividend it had paid its two shareholders in previous years. The proposed investment program of \$40 million over the next four or five years was also curtailed and the plan to build a new hall shelved.

It now seems likely that the Hannover Fair Company will have to follow the example of its competitors in other German cities and ask the two sponsors for financial support for the first time. In view of the importance of maintaining Hannover as a major exhibition city and the significant role this plays in the economy of the region, there is little doubt that aid will be given, at least until charges can be adjusted so as to keep pace with inflation and the consequent steep rise of costs.

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The Common Market

As Wealthiest, Germany Can Look to the Power of the Purs

By David Haworth

BONN (IHT)—Until Helmut Schmidt replaced Willy Brandt as chancellor, West Germany's dealings with the European Community had never been much of a talking point in the EEC capital.

The De Gaulle era overshadowed everything, as did the question of whether the community should be enlarged or not. But West Germany, the economic giant, maintained a low political profile in the EEC. It compromised here and there, obediently paid ever larger contributions into the EEC budget, frequently called for a strengthening of EEC institutions and gently reminded its partners—especially the French—of the Atlantic relationship's crucial importance.

The approach was pedestrian, more in keeping with a country of the size and wealth of Belgium than as one of the community's major partners. The explanation for this approach is obvious, of course—Germany's balance geopolitically between West and East, hopeful then of an eventual reunification. It had to bury the ghosts of the Nazi period. Its foreign policy was both prudent and obliging.

It had, and indeed still has, to find a correct tone which will demonstrate simultaneously that the country is a good "European" as well as a reliable U.S. ally, especially as there is no prospect of being allowed nuclear weapons.

Even though the Brandt policies towards the community were bland and unexciting, there were signs towards the end of his chancellorship that the West German public attitude was changing.

Complaints about the EEC's performance—or rather the lack of one—began to increase. The tone became sharper, the mood more critical.

It should be said straight away that this is not in the least alarming, while at the same time being inevitable. In the Ministry of Foreign Affairs the development is described as Germany having a more "engaged" view of the EEC and there are very good reasons for it. Mr. Schmidt's arrival on the scene gave fortuitous focus to them and his demeanor, a brisk common sense to the point of being snappy, gave expression to some of the criticisms which had not until that point

been much noticed by Germany's partners.

This mood change seemed more abrupt than it in fact was because of Mr. Schmidt's temperament. It was not fully understood outside Germany as part of "Schmidt the Lip's" political repertoire, especially as the Germans dug in their heels over the establishment of an EEC regional development aid fund, holding it up for over a year.

If you were awakened by telephone at 4:45 a.m. to receive a long-distance earful about the European Common Agricultural Policy, neither your temper nor your understanding of that policy would be much improved. This is precisely what happened to Mr. Schmidt last fall when, after three days and nights of arduous negotiation, his Agriculture Minister called up to get his chief's agreement to a 5-per-cent rise in guaranteed prices for European farmers.

The Awakening

The European Community's own rude awakening has followed, of course, but, far from being upset about it, the EEC welcomes in part the discomfort which Bonn can inflict. The sensation of pain at least confirms the presence of life.

It was inevitable that West Germany, as the wealthiest of the EEC's nine members, should begin to see possibilities in the power of the purse. Given Mr. Schmidt's character, it was also inevitable that this should come soon. Where his predecessor, Willy Brandt, shed maudlin tears about the state of Europe, Mr. Schmidt gives vent to temper. He is not anti-European, still less an isolationist, but a volatile man obsessed with the virtues of organizational neatness. The EEC irks him because of its very nature: it is not susceptible to those virtues, and belly-flops to success, when there is any, rather than winning it.

Mr. Schmidt has recently told his obstreperous but very able lieutenant, Finance Minister Hans Apel, to soften the tone of his equally stringent views about the community when he is speaking in public. In their present mood the Germans don't mind being resented, but are frightened of being misunderstood. It was in that spirit Mr. Schmidt challenged Harold Wilson during the British Prime Minister's perfor-

In the Ministry of Foreign Affairs the development is described as Germany having a more 'engaged' view of the EEC and there are very good reasons for it. Mr. Schmidt's arrival on the scene gave fortuitous focus to them and his demeanor, a brisk common sense to the point of being snappy, gave expression to some of the criticisms which had not until that point been much noticed by Germany's partners.

mance at the summit dinner party in Paris last year to say clearly what Britain's "re-negotiation" intentions are: in or out? Needless to say, the Chancellor got no change from such point-blank tactics. They are, however, the hallmark of his style.

Moreover, they suit him very well at this moment when the opposition Christian Democrats are in such trouble. His personal popularity at home has rocketed since he got rough with the EEC, and he unblushingly admitted recently that "if you have trouble backstage, you should make a lot of noise in the front of the house."

By any standards the common farm policy is in a mess which has been tampered with so often that its original concept is hardly recognizable. It has been incapable of improving in real terms the incomes of those farmers it was designed to assist, and it has not appreciably closed the gap between the poor farmer and the extremely rich ones. True, the gap is currently providing a haven in which the Nine can shelter from the inflationary gales of world commodity prices, but that is not to argue against its reform.

This is where Mr. Schmidt hit the target—and France on its *amour propre*. Naturally, Britain chimed in to back up the German reform demand. After all, such a requirement was put on the EEC ministers' table in April 1974 when Foreign Secretary James Callaghan launched his attempt to change the terms of Britain's EEC accession treaty. For the Labor party's own purposes it hardly matters that Mr. Schmidt's pre-emptive strike might achieve something beyond Mr. Callaghan's reach.

Here is the clue to why the EEC's alleged trauma is, so far as the European Commission is concerned, turning into a subdued celebration.

This line of reasoning is a disguised form of the old argument that the community proceeds best

through the stimulus of crisis. Where that once might have been so—one thinks back to the French "empty chair" policy—events of this year have demonstrated decisively that this reflex is becoming slack. Crisis has bred stagnation during the past 12 months, and for the most part, the formidable diplomatic skills which might have been deployed here and on a bilateral basis between member-state capitals have little more to show for themselves than frustration.

It is clear that the Federal Republic's posture towards the community is intimately bound up with the attitude of any chancellor. In the past Germany has been prepared to pay almost any price asked of it by the other EEC countries in the hope of getting in return substantial political benefits such as, for example, the setting up of an EEC economic and monetary union. To put this in context, it must be remembered that when the country signed the European Coal and Steel Community treaty the Germans were still under Allied control.

Since the end of the Sixties it has become increasingly apparent to EEC member nations that the high-flown ambitions which accompanied the idealism of the Rome Treaty were not to be realized within the time-scale expected of them. The so-called Werner plan which outlined a smooth advancement towards a full EEC economic and monetary union became little more than a pipe dream once the full effects of the energy crisis began to be clear.

Germany, which is obsessed with what Mr. Schmidt likes to call economic "good housekeeping," began to take a more critical view of the EEC's evolution once it was realized that "Europe" would progress at a speed much slower than originally hoped.

Despite these disappointments the remarkable feature of the country's assessment of the EEC is the lack of difference between

the government, the unions and the employers.

Thus the German Employers' Association in a memorandum published last year said that "only an economically solid and stable economy will be taken seriously." It added that it would be "illusory" to think that what the EEC has so far achieved in economic integration can be safeguarded without further development on the political plane.

It went on to say that "stagnation in European development puts into question all the concessions and financial efforts made by partner countries so far, in their trust in future rewards from more intensive co-operation."

Clout

Given that the idealism of the Fifties and Sixties has disappeared, the "stagnation in European development" has seemed inevitable to other EEC member nations, but Germany still finds it itself nominally optimistic. Although officials know they have economic strength in the EEC—the community represents 52 per cent of the country's total exports—they are still unprepared to use more political "clout" in their dealings with the rest of the community.

This remains true despite Chancellor Schmidt's sometimes outspoken remarks about the size and conduct of some of the EEC institutions—which last year he described as "swollen" and "vastly inflated." However irrelevant such remarks might seem, Mr. Schmidt was also on record at the Dublin summit meeting as saying that the whole of the community is now facing its largest economic crisis since the 1930s. Whereas unemployment acts as a red rag to a bull in times of economic stringency in Britain, in Germany the obsession is inflation and the fear that their currency may become useless, as it already has twice this century.

The reason for Germany's being

oblique in most of its statements to the Council of Ministers is that first, last and all the time, it has an interest in maintaining a stability within the EEC. Too much criticism, officials here say, could be misunderstood by other EEC member countries. They claim that the French and the Dutch (in that order) must be given no pretext to revive some of their old prejudices against the Germans—which are still sometimes found just below the surface of their mutual dealings.

Nonetheless, the Germans certainly realize that they do not any longer need the EEC as a means of buying friendship—as they used to regard it in the community's early days. This is a much greater problem for the Federal Republic's partners than for Germany itself. "Saying 'no' in certain circumstances," according to one official here, "is not necessarily a matter of political strength, it is simply an indication that we have reached the limit of our capacity to pay."

This is a precise reflection of Mr. Schmidt's view. Having managed to depress the country's inflation rate to a mere 5.8 per cent by stringent and unpopular measures, he cannot afford to seem profligate in expenditure on the community. This is his instinct, and it also coincides with an assessment of his own political future which is by no means secure.

More than any other EEC leader, he profoundly believes that the wolf of inflation is at the community's door and could immediately consume all its inhabitants. He warned at the Paris summit last year that the current recession in Western Europe could shortly deteriorate into a 1930s style depression. He sternly repeated himself on this theme when EEC premiers and heads of government discussed the growing unemployment in the community when they met in Dublin.

A senior Ministry of Foreign Affairs official with long expe-

rience of EEC negotiations expressed his own view on this as bluntly as Mr. Schmidt has done. "We worry that some of our partners are in danger of losing sight of the self-evident truth that employment can only be safeguarded if everyone makes a very determined attack on inflation. More than anything else, inflation could wreck the European Community. If Germany has a contribution to make at this time, it must be to get this message through to the other member states."

It is natural that the present state of the German economy, in the aftermath of a boom period and facing such an uncertain future, should have its effects on the country's foreign policy and explains why the Federal Republic took such a tough line on the regional fund and the last round of EEC agricultural price increases. If Germany was to contribute to a fund from which it would receive a negligible return itself, it wanted guarantees from the other member states that the money would be properly employed and not just a device for alleviating balance of payments problems.

No Publicity

Similarly with the agricultural prices, Germany gave notice that the era in which automatic hikes were regarded as a way of solving the farmers' difficulties is over.

The common agriculture policy has to be reformed and streamlined as well. But neither of these cases is an instance of German distinction with the EEC, as has been suggested in some quarters. It is not a sentiment to be found anywhere in the government machine nor in any of the political parties. Moreover, while these two examples of German toughness received heavy publicity which always attends EEC Council of Ministers negotiations, they upstaged another and much more positive example of German realism last year—namely, Germany's massive loan to Italy last fall.

This short-term arrangement was quietly completed between the central banks and in effect represented a bail-out operation. The Germans gave the deal virtually no publicity because they feared that to do so would create the impression that the Italians were living off German charity. But it was an act that is argu-

ably one of the most concrete gestures on the part of the EEC nation towards which has taken place in years.

Cynically, it can be said the loan was also given in the spirit of self-interest. Italy, with the other member's has risen by 640 per cent of this is with the Federal life. So the threatened collapse in Italy would be a profound effect on the economy. The fact remains, however, that Germany acted bravely when the crisis and has received little credit for having done so.

Bonn's reticence on this issue underlines a constant theme in any discussion about the EEC—that the community has to be one of and can only work properly if accepted by all member states. The Germans take a able care not to give any sign to the smaller countries they are being driven corner by the Nine's. By "It is not our intention to set the tone of the community," says Minister of Hans-Joerg Wiese, "we have special responsibility in affairs." "Except, indeed, can do so by demonstrating value of collective action member states."

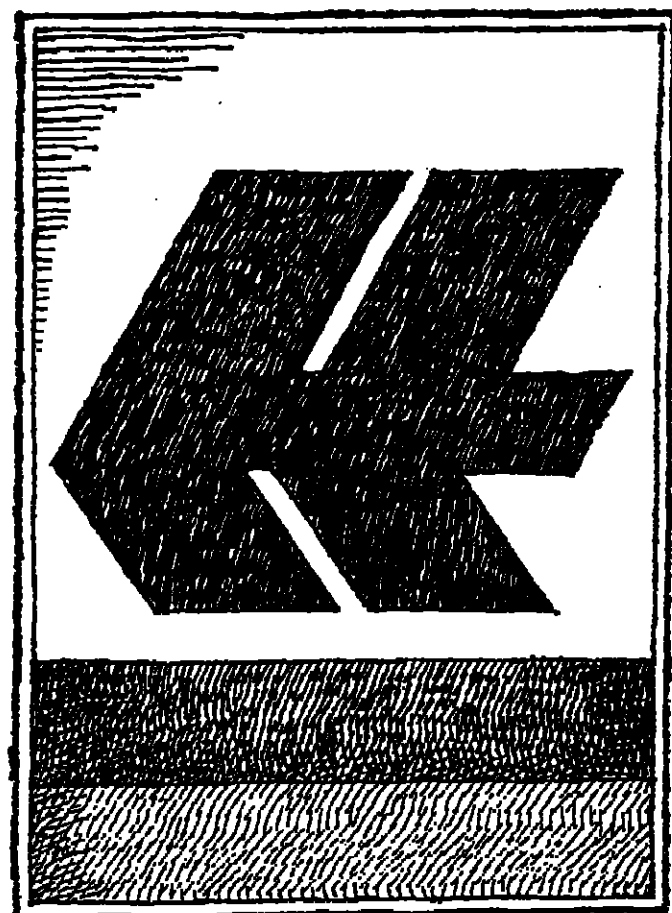
This theme is frequently repeated by the Federal President and former Minister, Walter Scheel recently: "There can be no thinking in terms of 'I am alone'—and this also to large economic areas, national division of labor indispensable prerequisite development of all forces. Economic stability no longer be assured by policies alone, and for it son, too, it is in our own that we should jointly any undesirable economic operations which would be mental to us all."

These are fine sentiments Bonn is never slow to a pression to such themes as subject of the EEC or Mr. Brandt became not expansive about the EEC's and destiny, to the other countries to for cize which would give it a more "human face." tended to fall silent when (Continued on Page 2)

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Shipbuilding: A Record, Mostly in Tankers

Andrew Hargrave
G (HGT)—The Ger-
man shipbuilding industry
completed a record
gross tons of merchant
tonnage in 1974, about
half the total of the
world, but only just
pipped for place by
Sweden.

The possibility is not ruled out,
however, that some of these
tankers may be laid up on deliv-
ery or even cancelled at a later
date in view of the uncertainty
surrounding crude oil prices, the
level of oil trade (which has been
declining since the Middle East
war) and the possibility of the re-
opening of the Suez Canal. This
could reverse the trend toward
the relatively smaller (100,000 to
150,000 tons deadweight) tankers
which have fallen from grace in
recent years.

Such uncertainty must clearly
be a worry for HDW whose new
\$66 million super-tanker at Kiel will
be able to handle tankers of up
to 700,000 tons deadweight and
which already has orders for four
\$70,000 tonners to be built in the

yard when it starts up sometime
next year.

Nevertheless, the structure of
the German order book is a lot
healthier than some of the chief
rivals, including Japan's. More
than four-fifths of the total ton-
nage on order is for export, and
while the 380 ships on order in-
clude 49 tankers (63 per cent of
the tonnage), the spread is con-
siderable, with 32 container ships,
28 gas and chemical tankers, 28
large bulk carriers, 90 passenger
ships and ferries and 56 offshore
vessels, including supply ships to
oil rigs among others.

As in all spheres of economic
life, Germans, encouraged by their
superb export performance, have
been campaigning against sub-
sidies, and the shipbuilders are
no exception. A recent memo-
randum by the German Ship-
builders' Association urged the
German government to press for
the elimination of subsidies every-

where, whether it is directly by the
government on shipbuilding costs,
interest rates and fixed-price
guarantees or compensation for
losses suffered by yards.

The Association obviously has
the once-again sharpening inter-
national competition in mind, as
worldwide shipbuilding capacities
expand beyond market demand.
The main German yards have
only recently entered a profitable
phase after several years of de-
ficits and the fear is that the
distortions in international com-
petition caused by indiscriminate
subsidies will again land them
with losses.

On the whole, the German ship-
building industry seems willing to
trade in the government sub-
sidies paid to owners building in
German yards, amounting to
around \$115 million in 1974-75 in
the form of investment grants,
increased depreciation allowances
and interest charge differentials,

for an ending of subsidies world-
wide.

The same applies to the Ger-
man shipowners, particularly as
the German merchant fleet has
shown in the past two years
signs of revival after prolonged
stagnation and even contraction.
The total tonnage increased last
year by about 10 per cent to 8.1
million gross tons (864 ships) to
which may be added shipping of
1.4 million tons sailing under for-
eign flags. But while the total
amounts to barely 3 per cent of
the world tonnage, it is note-
worthy that 95 per cent of the
tonnage added last year came
from German yards, no doubt in-
fluenced by the subsidies. On the
other hand, 53 per cent of the
new orders placed by German
owners are for foreign yards.

Like the shipbuilding industry
with which it is closely associ-
ated, the owners see the prospects
for the immediate future in a
sharply divided light. They are
optimistic about the scheduled
cargo liner and tramp traffic
but less so about tankers in
view of the uncertainties already
described in this article.

The fact that most of the lead-
ing shipowners are making bet-
ter profits—Hapag Lloyd is ex-
pected to increase its dividend
from 9 per cent last year to pos-
sibly 14 to 15 per cent—coupled
with the comparatively young
age structure of the merchant
fleet is certainly giving cause for
optimism. In any case, the Ger-
man share of world tanker ton-
nage is even more modest than
its overall proportion, hence the
declining freight charges in the
tanker market tend to affect the
German owners less than their
competitors.

On the other hand, German
crew costs are among the highest
in the world and the strength
of the D-mark against the other
leading currencies of the world
is a constant source of con-
cern as freight rates are often
calculated in those very curren-
cies such as the dollar and the
sterling. Hapag Lloyd's meager
profits in recent years, for in-
stance, have been directly at-
tributed to this cause. Equally,
shipowners have been complain-
ing about the German structure
of taxation which, they say, dis-
courage investment and con-
sidered streamlining of the
fleet.

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Seaports Increase Their Total Tonnage

IG (HGT)—West Ger-
man seaports increased the
age handled last year
ent to around 180 mil-
lion tons, mainly because of the
in the volume of Ger-
man. The two leading
ports, Hamburg and Bremen, ac-
counted for nearly half the total
tonnage, the ten top ports
for 94 per cent of the
early signs this year
er, that the expansion
t four years is coming
and that this year's
ay well be below the
1 and nearer the, still
level of 1973.

Last year Hamburg,
1 of just under 52 mil-
lion tons, managed to increase
turnover by only 5.5
while Bremen-Bremer-
werft a minute 0.1 per-
cent, to just under 26.5
is, in volume terms, the
million tons of crude oil
the deep-water harbor
haven, to exceed 30 mil-
for the first time, as
considerable increases,
and 50 per cent respec-
the tonnages handled
harbors of Brunsbüttel
years of the Schleswig-
development area) and

Nordenham, contributed material-
ly to last year's growth.

On the other hand, the decline
in oil imports to Germany as a
foreign exchange and energy-
saving move is already making its
impact felt in Wilhelmshaven
where oil landed dropped by more
than a quarter in January com-
pared with the same month last
year. Overall, the 9.2-per-cent
increase in the tonnage of the ten
top ports last year should be seen
against the 16.5 per cent achieved
in the first six months. It indi-
cates clearly that the momentum
was lost long before the year was
out.

Significantly, however, within
the total increase in tonnage, the
more lucrative general cargo (in-
cluding the fast expanding con-
tainer traffic) recorded a higher
rate of increase than bulk cargo
and comprised almost a quarter of
the total tonnage handled last
year.

After the three largest ports,
Hamburg, Bremen and Wilhelmshaven,
the west coast port of
Emden achieved an increase in
tonnage of 6.6 per cent, or almost
1 million tons, to 15.7 million tons,
two-thirds of which covered ship-
ments of iron ore and coking coal,
the staple raw materials of the
Ruhr steel industry which it

serves and which had a boom
year in 1974. There, too, the col-
lapse of the boom will be felt this
year.

The ports which exceeded ton-
nages of 6 million tons last year
for the first time included Lue-
beck (40 per cent of whose turn-
over consists of ferry traffic to
Scandinavia and beyond) as well
as Nordenham and Brunsbüttel,
the last mentioned just 8,000 tons
short of the 7 million mark.

But, it is the two main ports
of this largely landlocked country
that are in direct competition
with the giants of Europe, Rot-
terdam, Antwerp, London, Liver-
pool and Marseilles. It is at Ham-
burg and Bremen-Bremerhaven
that the bulk of funds allocated
to port improvement, moderniza-
tion and expansion are spent.
Both have recently published
long-term plans.

Hamburg's new \$80-million
Hansaport is designed to expand
the port's bulk cargo handling
capacity by 7 to 8 million tons
by 1977 and 10 to 12 million tons
at a later date, a total expansion
of 20 per cent. The bulk material
handling plant and terminal are
to be jointly financed and man-
aged by the Salzgitter steel group,
the main user, and the Hamburg
harbor authority.

Bremen, with 54 per cent of its
turnover tied up in general cargo,
plans to expand its tonnage by
about 40 per cent, to 38 million
tons by 1985. Bremerhaven is to
be deepened to handle ships of up
to 90,000 tons deadweight mainly
to suit a major customer, the
Kloekner steelworks; while the
Bremen end of the port complex
will further expand container
handling facilities in order to ac-
commodate what may eventually
turn out to be between 70 and 80
per cent of total general cargo
traffic.

The expansion of container
traffic so far in the two major
ports is illustrated by the follow-
ing table (figures in thousands
of 20-ton containers):

Year	Bremen	Hamburg
1970	194	83.7
1971	244	123
1972	322	176
1973	394	271
1974	416	316

The two ports carry the main
burden of West Germany's sea-
borne foreign trade which forms
the bulk of total traffic handled.
Hamburg in particular is a major
transit port for Eastern Europe,
thus slowly regaining its pre-war
significance all but interrupted.

—ANDREW HARGRAVE.

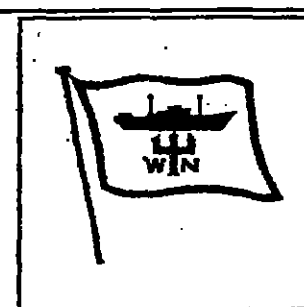
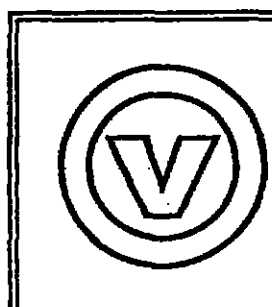
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'They Still Try to Make Us Out As a Third German State'

(Continued from Page 15a)

Introspective state of mind is the opening of talks between West and East Germany on a specific program to improve West Berlin's road, rail and water links with West Germany.

State Secretary Gunter Gaus has just met with East German ministers, called the first talks "positive" but indicated that discussions will be long. The local guess is a year, for the East Germans expect Bonn and West Berlin to pay most of the cost of a new autobahn between Berlin and Hamburg, of modernizing the rundown Berlin-Helmstedt autobahn and of improving rail lines still operating all this time after the war on one track.

Some Pessimism

The situation of the isolated city does not warrant excessive pessimism, but that is the way some Berliners are. The 1972 Four Power agreement on unimpeded access to West Berlin has worked, and travel on the autobahn linking West Berlin to the Federal Republic has been made easier, relieved of time-consuming Communist searches. The city's 2.1 million citizens have been able to visit relatives and friends across the wall for up to 30 days a year. There are five buildings by the wall for West Berliners to obtain their passes and the East Germans have reduced the controversial wall passage fees.

There is no control on the cross-city U-Bahn although the Friedrichstrasse station is the only one where visitors to East Berlin can alight and there is a control point before reaching the street. There has been an exchange of disputed enclaves of land and a ten year agreement has been signed to dispose of West Berlin's garbage on the other side. There are phone links between the two halves.

In many ways, West Berlin's situation has never been better. The problem, as Egon Bahr, Willy Brandt's one-time Ostpolitik strategist, put it recently is "psychological."

Despite the fact that unemployment is at a lower level than in West Germany, that economic prospects remain fairly good and growth rates are favorable there is a mood among the young that perhaps they would be better off after all in Frankfurt, Bonn, Stuttgart or Hamburg.

Many of the city's old people — and Berlin has more than half a million pensioners — grumble

Meanwhile the city remains the only occupied city in the world with 11,000 American, British and French troops, with the highest authority in a sector the military commander, with Soviet soldiers crossing every day to guard the Soviet war memorial and with Russians turning up at Air Traffic Control HQ. Troops remain its guarantee despite détente.

that Berlin is no longer safe for them to walk in and the streets are so dirty compared to what they used to be.

The grumbles and complaints are symptomatic of a city which is still struggling 30 years after the end of World War Two to find a fresh role for itself, an identity which will somehow enable it to overcome the problem of being hemmed in by the wall and having no hinterland of its own. It is the problem of how to utilize all of its legacies, sophisticated industry, scientific research institutes, educational facilities, concert halls, art galleries and theaters to the full while at the same time recognizing that it is no longer the German capital or ever likely to be again.

It is no longer permanently in the headlines, no longer such a visible bastion of democracy. It is still a test of détente, but American officials say they spend too much time reassuring Berliners that the Western powers remain right behind them.

A Grim Mess

Ten years ago across in the headlines, no longer such a visible bastion of democracy, Berlin looked a grim mess with many a bombed-out building from the war still standing. Now the whole heart of Alexander Platz—Berlin's pre-war bustling shopping center—has been rebuilt along modern, orthodox Communist lines of architecture. The "viable" half of the city, East Berlin can at last offer an alternative to the West Berlin showcase.

As East Germany has slowly moved forward, gaining in economic confidence, winning diplomatic recognition from well over 100 countries around the world, inevitably it has affected the thinking of West Berliners, cut off 110 miles inside the GDR.

"I don't think the Bonn government will ever turn its back on us," stated Frau Gertrud Denk, 67-year-old widow living in Berlin-Schoeneberg. "But they do sometimes give the impression of wanting to back down on

some of the pledges given to the city. The subsidies keep coming, but it is more what the politicians are not saying that gives us this sinking feeling.

"Only a few years ago things were still going our way. But now there is this air of being slowly forgotten, not just by the world at large, but also by our own kind in West Germany. My son loves Berlin, but he has taken a job in Bremen because he feels this city's outlook is simply too politically clouded and confused."

One American clip "put it in a slightly different way: 'Detente has made Berlin more politically boring, but it remains in my opinion a very exciting city and a swinging place.'"

The new agreements have made the city less claustrophobic and city officials point to the fact that 80 per cent of the 330,000 newcomers since the building of the Wall have stayed on. There are generous allowances to set up in Berlin and block upon block of 17 to 30-story apartments have sprouted in the satellite cities within Berlin like the one in Maerkisches Viertel. Officials also state that handouts, low-interest loans and tax concessions give the Berliner the same income level as citizens of other big German cities, except Hamburg. Trees are constantly being planted, community centers opened and the city's limited recreation areas jealously guarded.

The good Berlin air, the Berlinerluft, remains smog-free but the worriers will tell you that Berlin's dry wit is not what it used to be. Of course, a lot of the best jokes were war jokes, starvation jokes, airlift jokes.

On election eve and before he became taken up with the Lorenz kidnapping, Mayor Schuesser offered some thoughts about the mood of the city.

He claimed that people were no longer concerned over Russian or GDR policy. The election campaign four years previously had been dominated by Ostpolitik and what would come out of Four Power discussions. That had

completely gone. People were now more worried over what the police were doing to protect them, kindergarten and school problems, widows' pensions. "There were disputes over things like whether all retired people should be absolved from having to pay to visit East Berlin. Yet he agreed that although things in general had never been so good people were not satisfied."

What he called the unique thinking of West Berliners was shown in the refusal of many people over 40 to take the S-Bahn across the Eastern half of the city.

But he insisted that in some ways Berlin had become a normal city. "The only way to keep people here a long time is to offer them a normal environment. Before people came with models. They thought you could have an idyllic garden in a Europe of problems. But you cannot solve our problems until you overcome European conflicts. It would be foolish to look for isolated solutions. Take the city as it is, take the situation as it is. Take the treaties as they are. Take the Four Power agreements as they are. You cannot change them anyway."

Attraction

"Under the umbrella of the Treaties and our ties with the Federal Republic we can try and make this city as attractive as possible. The only danger is that people think an attractive city is one with the best kindergartens, the best schools and swimming pools."

"Berlin has to be also an attractive metropolis, not to be compared with Munich but with Vienna, Copenhagen, Stockholm."

He was defending the building of the 450-million-mark, new Tegel Airport, hit by increased road traffic with West Germany and rising air fares. And the building of new congress halls. Berlin, in his opinion, needed such things to recapture something of its old prestige.

The other problem he recognized is that of keeping the

young people who flee for an education. The West German and more, that Berlin is Germany's biggest in but that really advantages are located in it. West Berliners a month that democrats mounting well. With the of Mr. Lorenz city government in tinuous crisis meeting cent of West Berlin voters went quietly and did no more. n they would have normal circumstances

Samie Tre

Even veteran polit holding their breath a massive swing to In the event, all the was continue the a trend toward the Chr ocrats that has been state elections since The Christian Democ 43.9 per cent of the v becoming the city's is But it was not enou to seize power for th The Social Democrat per cent of the vot announced they w coalition with the Fre who obtained 7.2 per c

All is not sweetness from the other side. Russians and East G try subtly to break i with Bonn. "They make us out as a th State," as one official

He added: "The government does not t ly with the East Germ ment unless we get from the Western Bonn."

The substance and the talks designed communications are b Herr Gaus, Bonn's m Berlin. The package links came from East but there remains the "We are ready to pay all. Say 5 to 8 bill But we would like workers to ease our ment," said another B

Apart from major improvements of road way, there are small terest to Berliners locks on canals to barges, persuading the to open a small canal ed to prevent escapes Berlin Staaten station gers. There is caution all these openings will ed in time.

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Agriculture — More and More Subsidies

Andrew Hargrave

(IHT).—Farmers on the Continent are not the most content of people and German are no exception. What's their troubles are coming from the very success of their economic performance. The high exchange rate of the D-mark, makes it impossible to export more than what seems to worry the government even more is the policy of the European Community to work towards a common market. On the contrary, each member state has been using its own ends, to the much-publicized of a price increase last by Chancellor Helmut

Schmidt's pump and blurt re Minister Josef Ertl, his mind when he said: Community of reacting situations rather than the structural weaknesses of the industry. This in said, had led to more and further away from the free market. In fact, in spite of a dislike of the Germans had to these to back their. In addition to investment and interest rate, there is also the Border

Tax designed to iron out fluctuations in exchange rates, one that was only marginally adjusted following the 2-per-cent change in the "green unit of account"—the Community's common exchange rate for farm products. But there was still no progress towards avoiding beef and butter "mountains" nor the "dumping" of surpluses as happened in the case of cheap butter to the Soviet Union.

The structural weaknesses to which Mr. Ertl referred are perhaps more pronounced in Germany than in any other member state of the Community. There were at the last count 970,000 agricultural units in Germany but less than half of these were full-time farms—and this fragmentation is aggravated by their relatively small size. The average size of farms in Germany was 11.7 hectares compared with 57.4 hectares in Britain, 21 hectares in France, 20.6 hectares in the highly intensive Denmark and 17.7 hectares in Ireland. Only in Italy was the average smaller.

Then again, only 47 per cent of the farms in Britain were less than 20 acres, compared with 68.5 per cent in France, 82.3 per cent in Denmark, 68.3 per cent in Ireland and 83.7 per cent in Germany.

The number engaged in agriculture is, of course, going down in Germany as much as in other

countries, by an annual 5 per cent a year, and so are the number of farms. But the streamlining process is, as Mr. Ertl himself admits, far too slow. There are still too many "weekend farmers"—industrial workers, shop assistants, insurance agents and others who tend the farm in the evenings and at weekends, leaving their wives and daughters to look after it during the day.

Efficiency

Yet, in spite of this, German efficiency and diligence is reflected in the high yields per hectare, particularly in dairy products, with a substantial herd of 6.2 million. Livestock production is about 75 per cent of the total output while the 31-million-strong pig herd is the largest in Europe. The German farmer, weekend or otherwise, has to compete against low-price livestock imports, particularly from Belgium and Holland. Grain production increased by 41 per cent over a decade with a minimal 5 per cent increase in acreage, and other arable crops, such as sugar beets and potatoes, have also achieved a fairly high level of efficiency.

Nevertheless, German farmers—like their colleagues elsewhere in the Community—are full of woe, especially about declining income. In a recent survey the German Farmers Association

claimed that operational costs in 1973/74 had risen by 5.5 per cent while profits increased by only 1 per cent, leading to an average 10-per-cent fall in incomes.

This has been countered by the Ministry pointing to the vast differences in efficiency between well-run and not-so-well-run farms as well as the small and large ones.

Although on the whole incomes of large farms per person employed were nearly three times as high as large farms than at small ones, the best small farms achieved incomes two and a half times as high as the worst big ones.

The Ministry also says that 1973-74, partly because of the steep rise in energy costs, was an unrepresentative year; and that over the five years ending 1974 the average rise of incomes was actually slightly higher than the drop in 1973/74.

The German farmers of course continue to be dissatisfied. Yet while they complain about "unfair competition" from other Community countries, they underline their solidarity with fellow-farmers by taking part in the mass protests which have become a feature of the European scene. In the final analysis the remedy lies in their own hands for they would resist to the last any attempt by the state to impose structural improvements or dictate production policy.

EEC

Continued from Page 24a

that such measures—the fund is a case in point—st the German tax-payer

se of the disappointment ritably caused, especially European Commission, mid's much more robust to the community and his onward indication of how ernany can and will preferred in EEC circles. reach at least has the f letting everyone know her stand. The commu- benefited from this ably. Franco-German re- have not been as good s. It is boasted in Bonn part from the different toward the International

Energy Agency, there is no item of major importance in the EEC context on which the French and Germans are at loggerheads.

It is undoubtedly true that if it had not been for the debt footwork by Mr. Schmidt and Mr. Valéry Giscard d'Estaing in settling the vexed question of revising the British contributions to the EEC budget, the whole exercise of so-called "renegotiation" could have foundered at the last minute. Mr. Schmidt's address last fall to the British Labor party conference was inspired not by any affection for Harold Wilson but because he believes deeply that every effort should be made to ensure Britain remains within the community. In political terms it was much more significant than his earings

about the commission's staffing arrangements or his anger about the vast quantity of EEC documents which arrive on his desk each day.

These matters apart, it augurs well for the community that there is now an identity of view between the French and Germans about the need to strengthen the EEC institutions.

Mr. Wischniewski says he hopes there will be direct elections by 1979, and stresses that the Federal Republic is determined to get to grips with all EEC institutional questions. There is no doubting Bonn's enthusiasm for the task. Now that the French have in effect given a green light, the way is clear. "I personally believe that the French

have a much clearer view about the EEC institutions than they had previously," says Mr. Wischniewski.

He says the commission concentrates too much on secondary matters. Last year, for example, it enacted some 3,200 ordinances. Were they all necessary and vital, the minister asks. "Would it not be possible to do more with less?"

"This government believes the commission can only fulfill its proper task if it behaves in a more political way," he adds.

For all Mr. Schmidt's occasional outbursts of peevishness and his hefty insistence on realism, the European community need have no misgivings about Germany's attitude towards it.

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BERLIN (WEST) - A CITY WITH A FUTURE

The Four Power Agreement provides a solid basis for development



Mr. Klaus Schütz,
Mayor of Berlin (West)

Since the beginning of March, 1975, Berlin (West) has had a new House of representatives. The Social Democrats, who held the absolute majority during the last four years when, for the first time, they governed alone, now need a coalition partner again. There will presumably be a coalition between Social Democrats and Free Democrats in the Federal Republic. After a campaign fought with great determination by all parties and overshadowed by criminal anarchist actions, the new Senate, based on a solid majority, is ready to tackle the tasks of the future.

The Senate can thus resume and continue the work Social Democrats have helped to initiate and tried to complete in the 28 years they held official responsibility in Berlin. Especially during the last four years a program was accomplished and profits started that strained the resources of the Land and required financial support from the Federal Republic of Germany. The Land budget increased from DM 6,360 million in 1970 to DM 13,120 million in 1974 while financial aid to the Federation amounted to from DM 2,818 million to DM 5,880 million during the same period.

During the last four years the Senate made public investment amounting to more than DM 5,800 million. Thus it almost achieved its original aim to invest 20% of its total expenses annually. In 1974 this was already 19.4%.

A sound and efficient economy is a precondition for these achievements and for the accomplishment of future programs. Berlin (West) is still the largest and most important industrial city between Paris and Moscow.

The Four Power Agreement on Berlin of September 3rd, 1971, and the agreements between the two German sides linked with it, have consolidated the economy of the city further and posed former problems. The future has become more secure.

While the economic growth of Berlin (West) usually lagged slightly behind that of the Federal Republic, due to the city's disadvantages of location and its lack of a hinterland, produc-

tivity increased more than in the rest of the Federal Republic, due to the very same factors.

In investments, too, West Berlin's industry is considerably ahead of the Federal Republic. Considering that today's investments safeguard the chances for tomorrow's economic growth, this is a very positive aspect for the future of the city.

West Berlin's approximately 1,850 industrial plants achieved in 1974 a total turnover of about DM 19,000 million, which almost equals the total industrial turnover of Norway. While Berlin's economy was able to pay only about half of its imports by its own exports in 1950, the latter amounted to more than 90% in 1974.

During the last years, Berlin's economy was able to offset the deficit caused by the loss of its functions as a capital and the loss of revenue from supra-regional services connected with them.

Measures of the Berlin Promotion Program, tax preferences and credit aid granted to industry contributed considerably to this development. They have proved to be a sound economic investment.

In order to maintain economic momentum it is necessary to cope with two important facts: the noticeable shortage of labor and the shortage of land for attracting major new industrial plants.

The construction of the Wall in 1961 caused the overnight loss of 50,000 qualified workers who lived in the other part of the city or in places outside Berlin and worked in West Berlin. The unfavorable age structure made it impossible to replace these workers from within the "walled" city. Recruitment was made in the rest of the Federal Republic as well as abroad. Since the autumn of 1961 about 300,000 workers have come to Berlin from West Germany—two thirds of them for good.

In addition almost 90,000 foreign workers came to Berlin. Yet the total working population decreased by 100,000 to about 900,000 today over the last ten years.

The lack of industrial land is an almost insoluble problem for Berlin. Certainly statistically things do not look all that bad: 1,300 hectares of a total number of 3,600 hectares of industrial land is not in industrial use. But most of it has been used to build apartment houses, is covered by allotments or is at the disposal of the allied forces or the police. There is, therefore, little land on which new plants could be built, especially since the conservation of parks and woodlands is of particular importance for Berlin because of its island position.

During the last four years the Senate was nevertheless able to attract 56 new plants giving employment to a total of 3,750 workers.

The investment/turnover ratio was DM 430 million to DM 600 million. The Senate's future planning was based, among other things, on the conception that available industrial land is to be used more economically by erecting multi-story buildings.

A total of DM 9,300 million was invested in Berlin (West) between 1962 and 1973. The annual growth rate was 9.3% against 5% in the Federal Republic.

Investments increased especially in recent years. Between 1967 and 1973, DM 6,539 million were invested. The annual increase amounted to 17.1% against 13% in the rest of the Federal Republic.

One remarkable fact is that in 1962 the investing intensity of West Berlin's industry was only two thirds of that of the Federal Republic. In 1973 Federal figures were exceeded by 13.4% and even by 16.2% in 1973.

In Berlin (West), investment per head of working population has increased by 11.4% since 1962, in the Federal Republic only by 4.6%.

In expanding Berlin's economy, attention will have to be directed especially to the service sector. Consulting firms founded in recent years, some in partnership with Land Berlin, have already proved extraordinarily successful.

Great significance is attached to exports and above all trade with member countries of the Council of Mutual Economic Assistance (COMECON). In 1973, goods to the value of DM 17,720 million out of a total number of goods deliveries to the value of DM 21,240 million were sent to the Federal Republic (83.4%), exports to member countries of the European Community amounted to DM 1,300 million (6.1%), trade with the German Democratic Republic to DM 203 million (1%) and with the remaining countries of the East Bloc to DM 224 million (1.1%).

Imports amounting to DM 19,590 million are divided up as follows: 85% from the Federal Republic, 5.5% from the European Community, 3.6% from the GDR and 1.5% from the remaining East Bloc countries.

Based on the Four Power Agreement, Berlin's economy is confident of further expanding its trade with, above all, the neighboring GDR and the COMECON countries. Talks have already opened on the participation in an energy grid between the Soviet Union and the Federal Republic, on being connected to the petrol pipeline, and above all the solution of difficult traffic and supply problems.

But even given this willingness on the part of the city to strengthen its economic relations with East Bloc countries, it is quite clear that its integration in the Federal Republic's economy and its trade with countries in the Western world must continue to be the basis of the economy of Berlin.

Up to now Berlin has been self-sufficient in gas and electricity. Electricity, gas and town gas are produced in Berlin plants.

As far as electricity is concerned, the output of the power plants was increased from 1,292 Megawatt in 1971 to 1,777 Megawatt in 1974. The capacity of Berlin's gas works has increased from 2.9 million cubic meters per day to 5.9 million cubic meters in the same period since two new gas-line cracking units have been put into operation.

In the changed political climate in Europe it becomes ever more urgent for Berlin's economic policy to tackle more than the traditional task of consolidating internal economic efficiency and turn to questions of supra-regional relations and ties. According to those who are responsible for Berlin's economic policy, the City is to be integrated more than ever into international economic exchanges on the basis of the Four Power Agreement, in which all contracting parties have accepted Berlin's ties with the Federal Republic. And this applies to other fields, too, beyond the energy sectors already mentioned.

The ambitious aim to consolidate Berlin's position as a first-rank industrial city in Europe requires a series of auxiliary measures to be taken in the political as well as the economic sectors.

One of these is the extension of already existing research and development institutions, conditions for which are very favorable in this city with its more than 200 non-industrial research institutions. Berlin (West) still remains Germany's major city of science. This development is considerably favored by the establishment of supra-regional research and development institutes such as the European Centre for Vocational Training. Conditions in Berlin are ideal for the functioning of this particular institute as there are a number of other research institutions, e.g. the Federal Research Institute for Vocational Training, the Professorial Chair for Educational Economics at the Technical University, the Max-Planck Institute for Educational Research, etc., which are necessary for efficient cooperation.

Berlin's geographical vicinity to Eastern European states is finally a chance for exchanges of experience on questions of vocational training

between countries of the European Community and the COMECON.

According to the Senate, one of the most important conditions for continued economic growth—which, considering the present period of recession, is by far less affected in Berlin than in the Federal Republic—is an exemplary policy of education and vocational training.

For this reason Berlin's educational system has been in the focus of Senate efforts. On many fields a standard has already been achieved which the overall Educational Plan envisaged for 1985. The number of pre-school classes rose from 339 in 1971 to 611 in 1974. The average size of primary school classes decreased from 33.9 to 29.8 during the same period although the number of pupils went up from 130,850 to 140,673.

In order to cope with the number of pupils in secondary schools, which increased from 52,700 to 86,960, a special program for the construction of 13 secondary school centres was adopted.

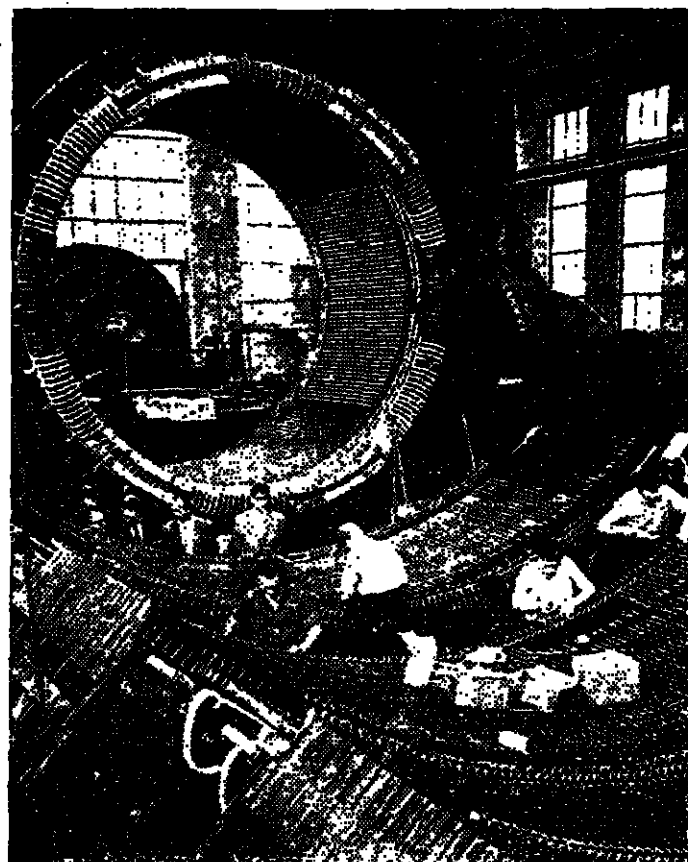
Since 1972 half the funds allocated for public buildings has been used for the construction of schools.

At the same time personnel and

other measures required for a higher standard of school education were taken. The number of establishment places for teachers rose from 10,792 in 1970-71 to 14,872 in 1974-75.

Berlin (West), with its 65,000 students, has become one of the most important university cities in Europe. In comparison with 1971 the number of students increased by almost 50%. A university reform which was started at the beginning of the legislative period guarantees all groups at the university—students, professors and employees—maximum participation in decision-making processes. Implementation of the reform is not yet complete. The reform also envisages the establishment of two integrated universities (encompassing all existing universities, colleges and institutes) and an improvement in the contents of courses.

Even today Berlin attracts students and trainees from abroad. About 6,000 foreigners are enrolled in Berlin's universities. Berlin is the centre of the German development aid. Thousands of industrial trainees, administrative officials, physicians, nurses, journalists and many more have received an essential part of their training in Berlin before going to Third World countries. Everywhere in the world they help to hold up and consolidate the reputation of this divided City which is confronted with so many problems and tries to solve them in an exemplary way.



Berlin (West) remains and will always be an industrial town of major importance. The most important branch is the electrical industry. The picture shows the construction of turbines.



Steel engraving:
Portrayed as a walking kitchen,
a German cook in a humorous 18th-
century engraving is festooned with
equipment and supplies as he plies his
Numbers indicate: (1) suckling pig;
(2) frying pan; (3) pot; (4) pot cove
(5) sausages; (6) ham; (7) pan;
(8) salt box; (9) grill; (10) spit;
(11) jug; (12) kettle; (13) scoop;
(14) knives; (15) tray of fruits.
In the background the cook
deals with tradesmen (left) and later
serves the completed meal.

Food and Drink and CMA

Germany. For some people that means Old Heidelberg, the Black Forest and the River Rhine. For others Dürer, Goethe and Beethoven. For some it is the land of pretty women, for others only an industrial country — and — surely there is a lot to say about "Food and Drink — made in Germany." A lot about the big variety of sausages and hams, about the various bread and cheese assortments, the sauerkraut, the schnapps, liquors and wines. Not to mention the beer...

...and what is CMA?

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